



City of uMhlathuze  
Annual Financial Statements  
for the year ended 30 June 2017

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## General Information

### Nature of business and principal activities

Local government

### Mayoral committee

#### Councillors

CLlr MG Mhlongo ( Mayor )  
CLlr SG Mkhize ( Deputy Mayor )  
CLlr M Mthenjana ( Speaker )  
CLlr M Lourens ( Exco )  
CLlr LCM Fourie ( Exco )  
CLlr TS Gumede ( Exco )  
CLlr KM Mthethwa ( Exco )  
CLlr RM Zikhali ( Exco )  
CLlr BC Mthembu ( Exco )  
CLlr KD Sibiya ( Exco )  
CLlr M Sookroo ( Exco )  
CLlr TM Phahla ( Exco )  
CLlr DJ Ndimande ( Chairperson of Section 79 MPAC )  
CLlr PT Mbatha ( Chairperson of Section 79 BYLAWS )

### Chief Finance Officer (CFO)

Mr M Kunene

### Accounting Officer

DR NJ Sibeko

### Registered office

5 Mark Strasse  
Central Business District  
Richards Bay  
3900

### Business address

5 Mark Strasse  
Central Business District  
Richards Bay  
3900

### Postal address

Private Bag X1004  
Richards Bay  
3900

### Bankers

ABSA

### Auditors

Auditor-General  
Registered Auditors

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

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## Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **City of uMhlathuze**

Annual Financial Statements for the year ended 30 June 2017

### **Municipal Manager's Responsibilities and Approval**

The City of uMhlathuze, situated at 5 Mark Strasse, Richards Bay, is a category B municipality, established in terms of section 12(1) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) and published in terms of the Provincial Government Notice 346 on 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) and are defined specifically in terms of section 83 of the Municipal Structures Act.

The annual financial statements set out on pages 4 to 63, which have been prepared on the going concern basis by the accounting officer in terms of section 126 (1) of the Municipal Finance Management Act, 2003 ( Act No 56 of 2003 ) and were signed off on 31 August 2017.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act, the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31 August 2017.



**DR NJ Sibeko**  
**Municipal Manager**

**Richards Bay**

**31 August 2017**

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017 as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	74 767 901	72 416 830
Current portion of long-term receivables	3	30 481	39 310
Receivables from non-exchange transactions	4	124 790 265	110 409 410
VAT receivable	5	34 325 712	52 771 853
Consumer debtors	6	350 981 207	284 908 020
Cash and cash equivalents	7	719 789 221	462 406 308
		<b>1 304 684 787</b>	<b>982 951 731</b>
<b>Non-Current Assets</b>			
Investment property	8	124 379 462	125 125 248
Property, plant and equipment	9	5 230 529 433	5 061 147 711
Intangible assets	10	31 410 939	7 131 967
Heritage assets	11	2 766 994	2 766 994
Long-term Receivables	3	48 103	75 627
		<b>5 389 134 931</b>	<b>5 196 247 547</b>
<b>Total Assets</b>		<b>6 693 819 718</b>	<b>6 179 199 278</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Financial liabilities	12	155 996 320	122 346 149
Payables from exchange transactions	13	611 624 953	532 996 142
Consumer deposits	14	67 946 807	45 196 572
Unspent conditional grants and receipts	15	10 596 053	27 911 112
Provisions	16	13 899 657	12 998 173
		<b>860 063 790</b>	<b>741 448 148</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	12	539 612 552	348 099 897
Employee benefit obligation	17	332 531 737	341 274 601
		<b>872 144 289</b>	<b>689 374 498</b>
<b>Total Liabilities</b>		<b>1 732 208 079</b>	<b>1 430 822 646</b>
<b>Net Assets</b>		<b>4 961 611 639</b>	<b>4 748 376 632</b>
Reserves			
Housing development fund	18	2 749 778	2 749 778
Accumulated surplus	19	4 958 861 861	4 745 626 854
<b>Total Net Assets</b>		<b>4 961 611 639</b>	<b>4 748 376 632</b>

\* See Note 41

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance for the year ended 30 June 2017

	Note(s)	2017 R	2016 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	2 003 817 657	1 707 782 459
Rental of facilities and equipment		11 111 229	9 945 445
Interest earned - outstanding debtors		45 202	53 973
Agency services		6 594 664	6 249 887
Licences and permits		3 830 585	3 525 092
Other income	21	68 936 039	63 534 903
Interest received - investment	22	60 875 363	32 411 106
<b>Total revenue from exchange transactions</b>		<b>2 155 210 739</b>	<b>1 823 502 865</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	397 693 723	371 073 925
Property rates - penalties imposed	23	3 211 971	2 221 128
<b>Transfer revenue</b>			
Government grants & subsidies	24	424 859 036	492 508 010
Public contributions and donations	25	2 543 313	4 740 213
Fines, Penalties and Forfeits		14 325 913	11 282 606
<b>Total revenue from non-exchange transactions</b>		<b>842 633 956</b>	<b>881 825 882</b>
<b>Total revenue</b>		<b>2 997 844 695</b>	<b>2 705 328 747</b>
<b>Expenditure</b>			
Employee related costs	26	644 024 834	592 773 040
Remuneration of councillors	27	25 542 373	23 891 059
Post-employment benefit expenses	17	48 023 499	42 673 837
Depreciation and amortisation	28	352 389 418	351 345 981
Finance costs	29	68 940 376	58 693 589
Debt Impairment	30	8 891 010	36 646 113
Collection costs		2 090 644	606 236
Repairs and maintenance		171 286 435	142 611 180
Bulk purchases	31	1 201 342 941	1 047 811 485
Contracted services	32	165 429 802	105 528 161
Transfers and Subsidies	33	9 319 378	18 149 132
General Expenses	34	183 635 066	173 591 046
<b>Total expenditure</b>		<b>2 880 915 776</b>	<b>2 594 320 859</b>
<b>Operating surplus</b>		<b>116 928 919</b>	<b>111 007 888</b>
Loss on disposal of assets		(1 295 842)	(2 295 590)
Actuarial gains/losses	17	56 766 363	-
Gain on disposal of land	35	1 368 441	15 553 385
Gain from transfer of functions between entities not under common control	49	39 467 128	-
		<b>96 306 090</b>	<b>13 257 795</b>
<b>Surplus for the year</b>		<b>213 235 009</b>	<b>124 265 683</b>

\* See Note 41

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Statement of Changes in Net Assets for the year ended 30 June 2017

	Housing Development Fund R	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2015</b>	<b>52 328 564</b>	<b>4 571 782 385</b>	<b>4 624 110 949</b>
Changes in net assets			
Surplus for the year	-	124 265 683	124 265 683
Transfer from Housing Development Fund	(49 578 786)	49 578 786	-
Total changes	(49 578 786)	173 844 469	124 265 683
Opening balance as previously reported	2 749 778	4 420 400 613	4 423 150 391
Adjustments			
Prior year adjustments	-	325 226 239	325 226 239
<b>Restated* Balance at 01 July 2016 as restated*</b>	<b>2 749 778</b>	<b>4 745 626 852</b>	<b>4 748 376 630</b>
Changes in net assets			
Surplus for the year	-	213 235 009	213 235 009
Total changes	-	213 235 009	213 235 009
<b>Balance at 30 June 2017</b>	<b>2 749 778</b>	<b>4 958 861 861</b>	<b>4 961 611 639</b>
Note(s)	18		

\* See Note 41

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Cash Flow Statement for the year ended 30 June 2017

	Note(s)	2017 R	2016 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		2 014 928 886	1 724 322 306
Grants		427 402 349	497 248 223
Interest income		60 875 363	32 411 106
Other receipts		494 638 097	454 362 449
		<u>2 997 844 695</u>	<u>2 708 344 084</u>
<b>Payments</b>			
Employee costs		(644 024 834)	(592 773 040)
Suppliers		(1 538 059 178)	(1 508 543 846)
Finance costs		(68 940 376)	(58 693 589)
Other cash item		(208 852 178)	-
		<u>(2 459 876 566)</u>	<u>(2 160 010 475)</u>
<b>Net cash flows from operating activities</b>	37	<u><b>537 968 129</b></u>	<u><b>548 333 609</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(481 216 616)	(390 147 866)
Proceeds from sale of property, plant and equipment	9	676 719	1 065 709
Purchase of investment property	8	-	(404 557)
Purchase of other intangible assets	10	(26 612 939)	(3 185 124)
Purchases of heritage assets	11	-	(43 300)
Non-current receivables		36 353	47 897
Proceed from sale of land		1 368 441	15 553 385
		<u>(505 748 042)</u>	<u>(377 113 856)</u>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from financial liabilities		385 500 000	-
Repayment of long-term liabilities		(160 337 174)	(130 450 983)
		<u>225 162 826</u>	<u>(130 450 983)</u>
<b>Net cash flows from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>257 382 913</b>	<b>40 768 770</b>
Cash and cash equivalents at the beginning of the year		462 406 308	421 637 538
<b>Cash and cash equivalents at the end of the year</b>	7	<u><b>719 789 221</b></u>	<u><b>462 406 308</b></u>

\* See Note 41



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual amount vs final budget
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1 848 200 230	166 339 700	<b>2 014 539 930</b>	2 003 817 657	<b>(10 722 273)</b>	<b>99.47 %</b>
Rental of facilities and equipment	12 099 300	1 480 200	<b>13 579 500</b>	11 111 229	<b>(2 468 271)</b>	<b>81.82 %</b>
Interest earned - outstanding debtors	100 000	(50 000)	<b>50 000</b>	45 202	<b>(4 798)</b>	<b>90.40 %</b>
Agency services	7 000 000	-	<b>7 000 000</b>	6 594 664	<b>(405 336)</b>	<b>94.21 %</b>
Licences and permits	3 630 500	(20 000)	<b>3 610 500</b>	3 830 585	<b>220 085</b>	<b>106.10 %</b>
Other income	31 697 200	10 404 000	<b>42 101 200</b>	68 936 039	<b>26 834 839</b>	<b>163.74 %</b>
Interest received - investment	29 000 000	3 511 000	<b>32 511 000</b>	60 875 363	<b>28 364 363</b>	<b>187.25 %</b>
<b>Total revenue from exchange transactions</b>	<b>1 931 727 230</b>	<b>181 664 900</b>	<b>2 113 392 130</b>	<b>2 155 210 739</b>	<b>41 818 609</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	402 140 000	7 740 000	<b>409 880 000</b>	397 693 723	<b>(12 186 277)</b>	<b>97.03 %</b>
Property rates - penalties imposed	-	-	-	3 211 971	<b>3 211 971</b>	<b>- %</b>
<b>Transfer revenue</b>						
Government grants & subsidies	443 984 000	(1 082 000)	<b>442 902 000</b>	424 859 036	<b>(18 042 964)</b>	<b>95.93 %</b>
Public contributions and donations	-	-	-	2 543 313	<b>2 543 313</b>	<b>- %</b>
Fines, Penalties and Forfeits	3 732 300	(1 500 000)	<b>2 232 300</b>	14 325 913	<b>12 093 613</b>	<b>641.76 %</b>
<b>Total revenue from non-exchange transactions</b>	<b>849 856 300</b>	<b>5 158 000</b>	<b>855 014 300</b>	<b>842 633 956</b>	<b>(12 380 344)</b>	<b>99.00</b>
<b>Total revenue</b>	<b>2 781 583 530</b>	<b>186 822 900</b>	<b>2 968 406 430</b>	<b>2 997 844 695</b>	<b>29 438 265</b>	<b>100.99</b>
<b>Expenditure</b>						
Personnel	(676 868 500)	(303 800)	<b>(677 172 300)</b>	(644 024 834)	<b>33 147 466</b>	<b>95.11 %</b>
Remuneration of councillors	(26 461 500)	(468 600)	<b>(26 930 100)</b>	(25 542 373)	<b>1 387 727</b>	<b>94.85 %</b>
Post employment benefits	-	-	-	(48 023 499)	<b>(48 023 499)</b>	<b>- %</b>
Depreciation and amortisation	(252 372 900)	(55 000 000)	<b>(307 372 900)</b>	(352 389 418)	<b>(45 016 518)</b>	<b>114.65 %</b>
Finance costs	(80 335 400)	10 947 500	<b>(69 387 900)</b>	(68 940 376)	<b>447 524</b>	<b>99.36 %</b>
Debt Impairment	(6 950 000)	(18 061 800)	<b>(25 011 800)</b>	(8 891 010)	<b>16 120 790</b>	<b>35.55 %</b>
Collection costs	(1 245 000)	(2 281 800)	<b>(3 526 800)</b>	(2 090 644)	<b>1 436 156</b>	<b>59.28 %</b>
Repairs and maintenance	(112 425 300)	(13 813 800)	<b>(126 239 100)</b>	(171 286 435)	<b>(45 047 335)</b>	<b>135.68 %</b>
Bulk purchases	(1 128 614 500)	(92 925 900)	<b>(1 221 540 400)</b>	(1 201 342 941)	<b>20 197 459</b>	<b>98.35 %</b>
Contracted Services	(124 176 600)	(8 394 700)	<b>(132 571 300)</b>	(165 429 802)	<b>(32 858 502)</b>	<b>124.79 %</b>
Transfers and Subsidies	(12 681 100)	1 645 300	<b>(11 035 800)</b>	(9 319 378)	<b>1 716 422</b>	<b>84.45 %</b>
General Expenses	(207 205 700)	(34 752 100)	<b>(241 957 800)</b>	(183 635 066)	<b>58 322 734</b>	<b>75.90 %</b>
<b>Total expenditure</b>	<b>(2 629 336 500)</b>	<b>(213 409 700)</b>	<b>(2 842 746 200)</b>	<b>(2 880 915 776)</b>	<b>(38 169 576)</b>	<b>101.34</b>
<b>Operating surplus</b>	<b>152 247 030</b>	<b>(26 586 800)</b>	<b>125 660 230</b>	<b>116 928 919</b>	<b>(8 731 311)</b>	
Loss on disposal of assets and liabilities	-	-	-	(1 295 842)	<b>(1 295 842)</b>	<b>- %</b>

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual amount vs final budget
	R	R	R	R	R	
Actuarial gains/losses	-	-	-	56 766 363	<b>56 766 363</b>	- %
Gain on disposal of land	-	-	-	1 368 441	<b>1 368 441</b>	- %
Gain from transfer of functions between entities not under common control	-	-	-	39 467 128	<b>39 467 128</b>	- %
	-	-	-	<b>96 306 090</b>	<b>96 306 090</b>	
<b>Surplus before taxation</b>	<b>152 247 030</b>	<b>(26 586 800)</b>	<b>125 660 230</b>	<b>213 235 009</b>	<b>87 574 779</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>152 247 030</b>	<b>(26 586 800)</b>	<b>125 660 230</b>	<b>213 235 009</b>	<b>87 574 779</b>	

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual amount vs final budget
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	82 485 950	-	82 485 950	74 767 901	(7 718 049)	90.64 %
Long-term Receivables	44 965	-	44 965	30 481	(14 484)	67.79 %
Receivables from non-exchange transactions	-	-	-	124 790 265	124 790 265	- %
VAT receivable	-	-	-	34 325 712	34 325 712	- %
Consumer debtors	283 122 000	92 326 345	375 448 345	350 981 207	(24 467 138)	93.48 %
Other debtors	31 902 752	-	31 902 752	-	(31 902 752)	- %
Cash and cash equivalents	465 224 071	126 953 672	592 177 743	719 789 221	127 611 478	121.55 %
	<b>862 779 738</b>	<b>219 280 017</b>	<b>1 082 059 755</b>	<b>1 304 684 787</b>	<b>222 625 032</b>	<b>125.01 %</b>
<b>Non-Current Assets</b>						
Investment property	124 188 700	400 248	124 588 948	124 379 462	(209 486)	99.83 %
Property, plant and equipment	5 329 789 005	(245 311 320)	5 084 477 685	5 230 529 433	146 051 748	102.87 %
Intangible assets	17 312 200	4 208 768	21 520 968	31 410 939	9 889 971	145.96 %
Heritage assets	2 723 696	43 298	2 766 994	2 766 994	-	100.00 %
Long-term Receivables	90 205	-	90 205	48 103	(42 102)	53.33 %
	<b>5 474 103 806</b>	<b>(240 659 006)</b>	<b>5 233 444 800</b>	<b>5 389 134 931</b>	<b>155 690 131</b>	<b>102.97 %</b>
<b>Total Assets</b>	<b>6 336 883 544</b>	<b>(21 378 989)</b>	<b>6 315 504 555</b>	<b>6 693 819 718</b>	<b>378 315 163</b>	<b>106.75 %</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Financial liabilities	162 390 000	516 271	162 906 271	155 996 320	(6 909 951)	95.76 %
Payables from exchange transactions	300 638 394	-	300 638 394	611 624 950	310 986 556	203.44 %
VAT payable	2 884 572	-	2 884 572	-	(2 884 572)	- %
Consumer deposits	43 796 788	-	43 796 788	67 946 807	24 150 019	155.14 %
Unspent conditional grants and receipts	57 078 000	-	57 078 000	10 596 053	(46 481 947)	18.56 %
Provisions	22 522 704	-	22 522 704	13 899 657	(8 623 047)	61.71 %
	<b>589 310 458</b>	<b>516 271</b>	<b>589 826 729</b>	<b>860 063 787</b>	<b>270 237 058</b>	<b>145.82 %</b>
<b>Non-Current Liabilities</b>						
Financial liabilities	540 473 257	(7 479 373)	532 993 884	539 612 552	6 618 668	101.2 %
Employee benefit obligation	293 670 118	-	293 670 118	332 531 737	38 861 619	113.2 %
	<b>834 143 375</b>	<b>(7 479 373)</b>	<b>826 664 002</b>	<b>872 144 289</b>	<b>45 480 287.0</b>	<b>105.5 %</b>
<b>Total Liabilities</b>	<b>1 423 453 833</b>	<b>(6 963 102)</b>	<b>1 416 490 731</b>	<b>1 732 208 076</b>	<b>315 717 345</b>	<b>122.29 %</b>
<b>Net Assets</b>	<b>4 913 429 711</b>	<b>(14 415 887)</b>	<b>4 899 013 824</b>	<b>4 961 611 642</b>	<b>62 597 818</b>	<b>101.28 %</b>
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual amount vs final budget
	R	R	R	R	R	
<b>Reserves</b>						
Housing development fund	191 059 146	-	<b>191 059 146</b>	2 749 778	<b>(188 309 368)</b>	<b>1.44 %</b>
Accumulated surplus	4 722 370 565	(14 415 887)	<b>4 707 954 678</b>	4 958 861 864	<b>250 907 186</b>	<b>105.33 %</b>
<b>Total Net Assets</b>	<b>4 913 429 711</b>	<b>(14 415 887)</b>	<b>4 899 013 824</b>	<b>4 961 611 642</b>	<b>62 597 818</b>	<b>101.28 %</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual amount vs final budget
	R	R	R	R	R	
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	1 860 299 530	167 879 900	<b>2 028 179 430</b>	2 014 928 886	<b>(13 250 544)</b>	<b>99.35 %</b>
Grants	443 984 000	(1 082 000)	<b>442 902 000</b>	427 402 349	<b>(15 499 651)</b>	<b>96.50 %</b>
Interest income	29 000 000	3 511 000	<b>32 511 000</b>	60 875 636	<b>28 364 636</b>	<b>187.25 %</b>
Other receipts	448 300 000	16 574 000	<b>464 874 000</b>	494 637 824	<b>29 763 824</b>	<b>106.40 %</b>
	<b>2 781 583 530</b>	<b>186 882 900</b>	<b>2 968 466 430</b>	<b>2 997 844 695</b>	<b>29 378 265</b>	<b>100.99 %</b>
<b>Payments</b>						
Employee costs	(676 868 500)	(303 800)	<b>(677 172 300)</b>	(644 024 834)	<b>33 147 466</b>	<b>95.11 %</b>
Suppliers	(1 365 216 400)	(115 134 400)	<b>(1 480 350 800)</b>	(1 538 059 178)	<b>(57 708 378)</b>	<b>103.90 %</b>
Other payments	(80 335 400)	10 947 500	<b>(69 387 900)</b>	(68 940 376)	<b>447 524</b>	<b>99.36 %</b>
Other cash item	(247 593 300)	(35 857 200)	<b>(283 450 500)</b>	(208 852 178)	<b>74 598 322</b>	<b>73.68 %</b>
	<b>(2 370 013 600)</b>	<b>(140 347 900)</b>	<b>(2 510 361 500)</b>	<b>(2 459 876 566)</b>	<b>50 484 934</b>	<b>97.99 %</b>
<b>Net cash flows from operating activities</b>	<b>411 569 930</b>	<b>46 535 000</b>	<b>458 104 930</b>	<b>537 968 129</b>	<b>79 863 199</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(449 385 500)	5 140 354	<b>(444 245 146)</b>	(481 216 616)	<b>(36 971 470)</b>	<b>108.32 %</b>
Proceeds from sale of property, plant and equipment	-	-	-	2 045 160	<b>2 045 160</b>	<b>- %</b>
Purchase of other intangible assets	(22 000 000)	7 611 000	<b>(14 389 000)</b>	(26 612 939)	<b>(12 223 939)</b>	<b>184.95 %</b>
Proceeds from sale of financial assets	90 000	-	<b>90 000</b>	36 353	<b>(53 647)</b>	<b>40.39 %</b>
<b>Net cash flows from investing activities</b>	<b>(471 295 500)</b>	<b>12 751 354</b>	<b>(458 544 146)</b>	<b>(505 748 042)</b>	<b>(47 203 896)</b>	<b>110.29 %</b>
<b>Cash flows from financing activities</b>						
Proceeds from financial liabilities	-	-	-	385 500 000	<b>385 500 000</b>	
Repayment of financial liabilities	-	-	-	(160 337 174)	<b>(160 337 174)</b>	
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225 162 826</b>	<b>225 162 826</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(59 725 570)</b>	<b>59 286 354</b>	<b>(439 216)</b>	<b>257 382 913</b>	<b>257 822 129</b>	<b>(58 600.53)%</b>
Cash and cash equivalents at the beginning of the year	346 529 000	-	<b>346 529 000</b>	462 406 308	<b>115 877 308</b>	<b>133.44 %</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>286 803 430</b>	<b>59 286 354</b>	<b>346 089 784</b>	<b>719 789 221</b>	<b>373 699 437</b>	<b>207.98 %</b>
<b>Capital expenditure</b>						
Budget and Treasury Office	-	162 000	<b>162 000</b>	109 753	<b>(52 247)</b>	<b>67.75 %</b>
Community and Social Services	13 000 000	9 067 500	<b>22 067 500</b>	24 971 452	<b>2 903 952</b>	<b>113.16 %</b>
Corporate Services	43 000 000	12 413 600	<b>55 413 600</b>	80 667 543	<b>25 253 943</b>	<b>145.57 %</b>

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual amount vs final budget
	R	R	R	R	R	
Electricity	128 900 000	(22 554 700)	<b>106 345 300</b>	60 269 782	<b>(46 075 518)</b>	<b>56.67 %</b>
Executive and Council	-	14 000	<b>14 000</b>	181 974	<b>167 974</b>	<b>1 299.81 %</b>
Housing	1 000 000	20 347 700	<b>21 347 700</b>	9 575 555	<b>(11 772 145)</b>	<b>44.86 %</b>
Planning and Development	7 000 000	2 627 100	<b>9 627 100</b>	3 531 198	<b>(6 095 902)</b>	<b>36.68 %</b>
Public Safety	-	6 994 900	<b>6 994 900</b>	17 432 604	<b>10 437 704</b>	<b>249.22 %</b>
Sport and Recreation	25 723 900	7 928 700	<b>33 652 600</b>	20 564 269	<b>(13 088 331)</b>	<b>61.11 %</b>
Waste Management	3 500 000	-	<b>3 500 000</b>	3 483 612	<b>(16 388)</b>	<b>99.53 %</b>
Waste Water Management	44 122 400	6 108 000	<b>50 230 400</b>	59 354 369	<b>9 123 969</b>	<b>118.16 %</b>
Water	103 043 300	11 903 000	<b>114 946 300</b>	104 592 645	<b>(10 353 655)</b>	<b>90.99 %</b>
Road Transport	110 107 500	13 786 900	<b>123 894 400</b>	123 094 807	<b>(799 593)</b>	<b>99.35 %</b>
<b>Total expenditure</b>	<b>479 397 100</b>	<b>68 798 700</b>	<b>548 195 800</b>	<b>507 829 563</b>	<b>(40 366 237)</b>	<b>92.64%</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 9 Revenue from Exchange Transactions
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment property
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 26 Impairment of cash generating assets
- GRAP 31 Intangible Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 106 Transfer of Functions between entities not under common Control

These accounting policies are consistent with the previous period.

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

The Municipality has not adopted any GRAP standard that is not yet effective, but has based its accounting policies on such standards, except for GRAP 18

The following GRAP standards have been issued and effective but are not applicable to the municipality.

- GRAP 4 The effects of changes in foreign exchange rates
- GRAP 6 Consolidated and separate financial statements
- GRAP 7 Investments in associate
- GRAP 8 Interest in joint ventures
- GRAP 10 Financial reporting in hyperinflationary economics

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

- GRAP 27 Agriculture

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### 1.3 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.4 Significant judgements and sources of estimation uncertainty

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

#### Operating lease – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

#### Depreciation and impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Management used their judgement in applying the internal and external impairment indicators to its assets. No impairment indicators were identified and as such the recoverable amounts of the aforementioned assets was not calculated.

#### Customer receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates. A detailed breakdown of the student fee receivable is provided in note 3.

### 1.5 Comparative figures

#### Prior year Comparative

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.5 Comparative figures (continued)

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### Current year Comparative

Budgeted amounts have been included in the annual financial statements for the current financial year only.

### 1.6 Property, plant and equipment

#### Initially recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

Infrastructure assets in particular are those that are part of a system or network, specialized in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

#### Subsequent measures

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

#### Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality on each asset.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.6 Property, plant and equipment (continued)

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

The assets residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospective or retrospectively if appropriate, at each reporting date. Any changes are recognised either as a change in accounting estimate or correction of error if appropriate in the Statement of Financial Performance.

Depreciation only commences when the asset is available for use.

Item	Depreciation method	Average useful life
Land	Straight line	15-65

#### Transitional provision

In accordance with the transitional provision as per Directive 3 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2017 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 9 and 49.

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

Buildings	Straight line	30
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# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.6 Property, plant and equipment (continued)

Roads and paving	Straight line	15-65
Watercraft	Straight line	15
Furniture and fixtures	Straight line	7
Motor vehicles	Straight line	3-7
Office equipment	Straight line	3-5
Pedestrian bridges	Straight line	30
Electricity infrastructure	Straight line	20-30
Community	Straight line	5-30
Water infrastructure	Straight line	15-65
Sewerage infrastructure	Straight line	15-30
Housing	Straight line	30
Specialised plant and equipment	Straight line	10-15
Bins and containers	Straight line	5-10
Other property, plant and equipment	Straight line	2-5
Specialised vehicles	Straight line	10

### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.7 Leases

#### Finance leases - lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases.

Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

#### Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at the lower of the fair value or present value of minimum lease payments.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

#### Operating leases - lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leased assets are classified as investment property measured at cost model and depreciation on leased assets has been calculated in accordance with GRAP 17 Property, plant and equipment.

#### Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

### 1.8 Impairment of cash-generating assets

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.8 Impairment of cash-generating assets (continued)

External sources of information

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

### 1.9 Impairment of non-cash-generating assets

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

### 1.10 Intangible assets

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability, or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

#### Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.10 Intangible assets (continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale
- it is technically feasible to complete the intangible asset
- the Municipality has the resources to complete the project, and
- it is probable that the Municipality will receive future economic benefits or service potential

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

#### Amortisation and impairment

The cost of an intangible asset is amortised over the useful life of 3 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

#### Subsequent measurement

Intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

#### Derecognition

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it. The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the intangible asset is derecognised.

### 1.11 Investment property

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note ).

#### Initial recognition

Investment property is recognised as an asset, only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost (Transaction costs shall be included in this initial measurement). Transaction costs are costs which are directly attributable to the expenditure, for example professional fees for legal services, conveyancing fees, property transfer taxes and other transaction costs shall be included in this initial measurement.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.11 Investment property (continued)

If payment for investment property is deferred, its cost is the cash price equivalent.

The difference between this amount and the total payments is recognised as interest expense over the period of credit.

#### Subsequent measures

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Vacant land held under investment properties is not depreciated.

#### Derecognition

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

### 1.12 Inventories

Consumable stores, unsold water, and land held for sale are valued at the lower of cost and net realisable value.

In general, the basis of determining cost is the first-in, first-out method.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition.

Redundant and slow-moving inventories are identified and written down to current replacement cost.

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.13 Revenue from exchange transactions (continued)

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality,

### 1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when it is accrued. Spot fines are usually not given directly to the offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summon, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use furthermore Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality.

Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.15 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

### 1.16 Housing development fund

Housing selling schemes both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area. Any transfers to and from the fund are recognized in the statement of changes in net assets.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.17 Retirement benefits

The Municipality provides post-retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

The Expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period. The Defined benefit obligations are valued once in two years by independent qualified actuaries.

### 1.18 Borrowing costs

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance in accordance with the revised GRAP 5.

### 1.19 Financial instruments

#### Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

#### Subsequent measurement of financial assets and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

#### Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

#### Investments

Non-derivative investments with fixed or determinable payments and fixed maturity dates, which the municipality has the positive intent and ability to hold to maturity, are measured at amortised cost using the effective interest method less any impairment.

#### Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### Cash and cash equivalents



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.19 Financial instruments (continued)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

#### Financial liabilities

##### Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of Creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

##### Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

### 1.20 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

#### Initial measurement

A heritage asset that qualifies for recognition as an asset shall be measured at its cost (Cash price equivalent at the recognition date). Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### Subsequent measurement

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

After recognition as an asset, heritage assets shall be carried at its cost less any accumulated impairment losses. The Municipality assesses at each reporting date whether there are any indicators of impairment of Heritage assets.

Where there is an indication of impairment the assets are recorded at their recoverable amount or their recoverable service amount.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.20 Heritage assets (continued)

#### Derecognition

A Heritage asset is de-recognised when it is disposed or where there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognized.

### 1.21 Short term benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.22 Grants in aid

The Municipality donates money, goods or services to individuals, organisations and other sectors of government from time to time. When making these donations, the Municipality does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction;

Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment.

These transfers are recognized in the statement of financial performance as expenses in the period during which events giving rise to the transfer occurred.

### 1.23 Budget information

The budget is prepared on an accrual basis. The budget amounts are scheduled as a separate additional financial statement called the statement of comparison of budget and actual amounts.

Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

### 1.24 Unauthorised expenditure

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

### 1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.27 Tax

#### Vat

The Municipality accounts for Value Added Tax on payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

#### Normal tax

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

### 1.28 Transfer of functions between entities not under common control

#### Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of utilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.28 Transfer of functions between entities not under common control (continued)

#### The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- (a) identifying the acquirer;
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

#### Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

#### Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

### Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

#### Recognition principle

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the municipality as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The municipality as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The municipality as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The municipality as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.28 Transfer of functions between entities not under common control (continued)

The municipality as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions:

At the acquisition date, the municipality as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

#### Measurement principle

The municipality as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The municipality as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the municipality as acquirer takes into account the terms of the lease.

#### Exceptions to the recognition principles

Contingent liabilities:

The requirements in the Standard of GRAP on Provisions, Contingent assets and Contingent liabilities do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the municipality as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

#### Exceptions to both the recognition and measurement principles

Employee benefits:

The municipality as acquirer recognises and measures a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

#### Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality as acquirer retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the municipality as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the municipality as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

### 1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.29 Events after reporting date (continued)

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>2. Inventories</b>		
Consumable stores	17 665 685	14 524 262
Water	1 047 216	547 968
Land	56 055 000	57 344 600
	<b>74 767 901</b>	<b>72 416 830</b>
<b>3. Long-term Receivables</b>		
<b>At amortised cost</b>		
Study loans	78 584	114 937
Terms and conditions		
<b>Non-current assets</b>		
At amortised cost	48 103	75 627
<b>Current assets</b>		
At amortised cost	30 481	39 310
<b>4. Receivables from non-exchange transactions</b>		
Fines	21 422 690	10 809 065
Rates	49 844 273	42 523 450
Amounts paid in advance	14 966 147	11 661 199
Other receivables from non-exchange revenue	83 537 164	81 000 489
Impairment - Rates	(24 200 000)	(25 100 000)
Impairment - Fines	(20 780 009)	(10 484 793)
	<b>124 790 265</b>	<b>110 409 410</b>
<b>Rates</b>		
Current 0 - 30 days	26 063 589	27 405 290
31 - 60 days	2 617 536	2 356 729
61 - 90 days	1 699 628	1 470 359
91 - 120 days	1 417 644	1 080 044
121 - 360 days	12 098 783	6 218 140
361 + days	5 947 094	3 992 887
	<b>49 844 274</b>	<b>42 523 449</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Fines</b>		
Current 0 - 30 days	636 125	980 900
31 - 60 days	694 550	812 575
61 - 90 days	1 151 800	639 450
91 - 120 days	845 350	791 200
121 - 360 days	8 745 275	7 584 940
361+	9 349 590	-
	<b>21 422 690</b>	<b>10 809 065</b>
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening Balance	35 584 793	66 561 193
Contribution	10 303 308	13 322 492
Write off	(908 098)	(44 298 892)
	<b>44 980 003</b>	<b>35 584 793</b>
<b>5. VAT receivable</b>		
VAT	34 325 712	52 771 853
<b>Reconciliation of Vat</b>		
Output suspense	18 438 187	19 659 600
Input suspense	(41 038 663)	(59 728 628)
Vat control	(11 725 235)	(12 702 825)
	<b>(34 325 711)</b>	<b>(52 771 853)</b>
<b>6. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	189 567 215	202 750 754
Water	149 028 470	107 114 653
Sewerage	14 238 027	12 181 975
Refuse	9 352 459	8 194 013
Sundry debtors	30 377 920	13 714 399
Housing rental	10 217 116	7 152 226
	<b>402 781 207</b>	<b>351 108 020</b>
<b>Less: Allowance for impairment</b>		
Electricity	(17 000 000)	(34 100 000)
Water	(29 000 000)	(25 900 000)
Sewerage	(3 400 000)	(3 600 000)
Refuse	(2 400 000)	(2 600 000)
	<b>(51 800 000)</b>	<b>(66 200 000)</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>6. Consumer debtors (continued)</b>		
<b>Net balance</b>		
Electricity	172 567 215	168 650 754
Water	120 028 470	81 214 653
Sewerage	10 838 027	8 581 975
Refuse	6 952 459	5 594 013
Sundry debtors	30 377 920	13 714 399
Housing rental	10 217 116	7 152 226
	<b>350 981 207</b>	<b>284 908 020</b>
<b>Electricity</b>		
Current (0 -30 days)	176 552 178	142 269 934
31 - 60 days	2 123 833	4 145 934
61 - 90 days	1 266 513	3 128 026
91 - 120 days	1 304 794	2 686 519
121 - 365 days	3 005 318	45 872 434
> 365 days	5 314 579	4 647 907
	<b>189 567 215</b>	<b>202 750 754</b>
<b>Water</b>		
Current (0 -30 days)	68 543 840	42 142 710
31 - 60 days	6 304 431	3 655 613
61 - 90 days	4 024 002	3 527 138
91 - 120 days	3 722 974	2 545 440
121 - 365 days	23 966 605	18 346 865
> 365 days	42 466 618	36 896 887
	<b>149 028 470</b>	<b>107 114 653</b>
<b>Sewerage</b>		
Current (0 -30 days)	7 886 885	6 536 810
31 - 60 days	888 996	760 235
61 - 90 days	649 926	507 975
91 - 120 days	511 550	327 554
121 - 365 days	1 806 044	1 382 628
> 365 days	2 494 626	2 666 773
	<b>14 238 027</b>	<b>12 181 975</b>
<b>Refuse</b>		
Current (0 -30 days)	5 391 214	5 104 450
31 - 60 days	644 511	561 590
61 - 90 days	443 504	344 396
91 - 120 days	372 616	229 166
121 - 365 days	1 410 234	1 039 561
> 365 days	1 090 380	914 850
	<b>9 352 459</b>	<b>8 194 013</b>



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>6. Consumer debtors (continued)</b>		
<b>Other debtors</b>		
Current (0 -30 days)	(753 483)	6 922 299
31 - 60 days	1 136 102	715 678
61 - 90 days	1 134 137	3 153 309
91 - 120 days	495 654	776 932
121 - 365 days	9 276 550	4 358 072
> 365 days	19 088 960	(2 211 891)
	<b>30 377 920</b>	<b>13 714 399</b>
<b>Housing rental</b>		
Current (0 -30 days)	673 140	710 631
31 - 60 days	402 059	349 293
61 - 90 days	357 254	327 324
91 - 120 days	338 959	318 201
121 - 365 days	2 810 503	2 061 747
> 365 days	5 635 201	3 385 030
	<b>10 217 116</b>	<b>7 152 226</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>6. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	91 962 776	64 255 303
31 - 60 days	5 237 959	3 501 419
61 - 90 days	5 097 725	3 103 278
91 - 120 days	4 832 726	3 095 177
121 - 365 days	28 497 645	56 330 096
> 365 days	47 790 832	-
	<b>183 419 663</b>	<b>130 285 273</b>
Less: Allowance for impairment	(31 973 700)	(28 684 839)
	<b>151 445 963</b>	<b>101 600 434</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	167 736 233	143 034 695
31 - 60 days	3 769 498	8 647 165
61 - 90 days	2 709 100	4 706 446
91 - 120 days	2 013 466	1 931 355
121 - 365 days	14 708 213	81 609 439
> 365 days	33 312 486	-
	<b>224 248 996</b>	<b>239 929 100</b>
Less: Allowance for impairment	(38 517 187)	(59 654 066)
	<b>185 731 809</b>	<b>180 275 034</b>
<b>National and provincial government</b>		
Current (0 -30 days)	17 241 407	10 528 420
31 - 60 days	567 507	309 944
61 - 90 days	357 364	154 131
91 - 120 days	472 856	87 694
121 - 365 days	3 849 132	3 581 278
> 365 days	3 378 611	-
	<b>25 866 877</b>	<b>14 661 467</b>
Less: Allowance for impairment	(4 509 112)	(2 961 094)
	<b>21 357 765</b>	<b>11 700 373</b>
<b>Total</b>		
Current (0 -30 days)	276 940 417	211 981 332
31 - 60 days	9 574 964	12 458 527
61 - 90 days	8 164 189	7 963 855
91 - 120 days	7 319 047	5 114 226
121 - 365 days	47 054 990	141 520 812
> 365 days	84 481 929	-
	<b>433 535 536</b>	<b>379 038 752</b>
Less: Allowance for impairment	(82 554 329)	(94 130 732)
	<b>350 981 207</b>	<b>284 908 020</b>
<b>Less: Allowance for impairment</b>		
> 365 days	(51 800 000)	(66 200 000)

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>6. Consumer debtors (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(55 715 207)	(43 100 000)
Contributions to allowance	(2 182 394)	(23 323 621)
Debt impairment written off against allowance	6 097 601	223 621
	<b>(51 800 000)</b>	<b>(66 200 000)</b>

## 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	43 848	41 848
Cash book balances	74 745 373	172 364 460
Short-term deposits	645 000 000	290 000 000
	<b>719 789 221</b>	<b>462 406 308</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	
Absa Bank - Cheque - 2150000028	1 019 453	29 135 252	-	32 435 443	54 147 129
Absa Bank - Deposit - 2150000095	6 330 052	19 802 725	-	8 614 204	21 820 045
Absa Bank - Deposit - 9123615121	396 459	297 572	-	398 316	5 383 066
Absa Bank - Cheque - 9171373496	2 497 104	2 359 068	-	2 508 802	2 370 120
Absa Bank - Deposit - 9092247889	5 668 248	5 357 653	-	5 680 640	5 369 366
Absa Bank - Deposit - 9171373917	21 688 305	60 894 554	-	21 782 418	61 433 296
Absa Bank - Deposit - 9233674990	3 906	3 690	-	3 919	769 812
Absa Bank - Deposit - 9272068005	1 369 986	1 294 255	-	1 371 044	1 295 266
Absa Bank - Deposit - 4079286548	36 154	123 483	-	3 710	3 710
Absa Bank - Deposit - 9283221999	2 675 057	17 908 001	-	1 945 665	19 939 903
Absa Bank - Deposit - 9082916767	1 205	1 139	-	1 211	(167 253)
<b>Total</b>	<b>41 685 929</b>	<b>137 177 392</b>	<b>-</b>	<b>74 745 372</b>	<b>172 364 460</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

2017  
R

2016  
R

### 8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	133 435 299	(9 055 837)	124 379 462	133 435 299	(8 310 051)	125 125 248

#### Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	125 125 248	(745 786)	124 379 462

#### Reconciliation of investment property - 2016

	Opening balance	Additions	Depreciation	Total
Investment property	125 458 588	404 557	(737 897)	125 125 248

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	525 026 950	-	525 026 950	525 026 950	-	525 026 950
Infrastructure	10 722 635 865	(6 843 807 174)	3 878 828 691	10 328 439 405	(6 568 128 652)	3 760 310 753
Community	437 688 702	(137 683 741)	300 004 961	375 355 700	(117 687 998)	257 667 702
Other property, plant and equipment	729 782 818	(378 316 201)	351 466 617	670 627 947	(320 008 123)	350 619 824
Housing	187 533 704	(12 331 490)	175 202 214	177 958 149	(10 435 667)	167 522 482
<b>Total</b>	<b>12 602 668 039</b>	<b>(7 372 138 606)</b>	<b>5 230 529 433</b>	<b>12 077 408 151</b>	<b>(7 016 260 440)</b>	<b>5 061 147 711</b>

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Work in progress	Disposals	Transfers received	Additions through transfer of functions / mergers	Depreciation	Total
Land	525 026 950	-	-	-	-	-	-	525 026 950
Infrastructure	3 760 310 753	162 011 865	223 427 352	-	5 624 601	-	(272 545 880)	3 878 828 691
Community	257 667 702	20 954 979	10 838 275	-	-	26 887 652	(16 343 647)	300 004 961
Other property, plant and equipment	350 619 824	45 812 651	8 595 939	(1 972 561)	-	6 837 705	(58 426 941)	351 466 617
Housing	167 522 482	9 575 555	-	-	-	-	(1 895 823)	175 202 214
	<b>5 061 147 711</b>	<b>238 355 050</b>	<b>242 861 566</b>	<b>(1 972 561)</b>	<b>5 624 601</b>	<b>33 725 357</b>	<b>(349 212 291)</b>	<b>5 230 529 433</b>

##### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Work in progress	Disposals	Transfers	Restatement	Depreciation	Total
Land	533 426 950	-	-	-	(8 400 000)	-	-	525 026 950
Infrastructure	3 635 249 452	3 072 658	197 737 516	-	-	202 318 724	(278 067 597)	3 760 310 753
Community	233 100 159	33 973 806	4 561 009	(11 811)	-	264 359	(14 219 820)	257 667 702
Other property, plant and equipment	343 334 242	62 765 148	1 223 125	(3 243 720)	-	776 169	(54 235 140)	350 619 824
Housing development fund	82 401 808	86 814 604	-	-	-	72 452	(1 766 382)	167 522 482
	<b>4 827 512 611</b>	<b>186 626 216</b>	<b>203 521 650</b>	<b>(3 255 531)</b>	<b>(8 400 000)</b>	<b>203 431 704</b>	<b>(348 288 939)</b>	<b>5 061 147 711</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
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### 9. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	407 291 270	7 350 543	2 116 961	416 758 774
Additions/capital expenditure	223 427 357	10 838 275	8 595 939	242 861 571
Transferred to completed items	(51 433 643)	(1 339 210)	(85 800)	(52 858 653)
	<b>579 284 984</b>	<b>16 849 608</b>	<b>10 627 100</b>	<b>606 761 692</b>

#### Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	223 352 132	2 789 534	939 906	227 081 572
Additions/capital expenditure	197 458 716	4 561 009	1 223 125	203 242 850
Restatement	6 554 279	-	-	6 554 279
Transferred to completed items	(20 073 857)	-	(46 070)	(20 119 927)
	<b>407 291 270</b>	<b>7 350 543</b>	<b>2 116 961</b>	<b>416 758 774</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

##### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee related costs (internal charge)	205 669 946	212 865 327
Contracted services	105 302 790	88 311 010
Materials	65 975 945	42 124 763
Transport (internal charge)	2 873 267	25 928 926
	<b>379 821 948</b>	<b>369 230 026</b>

Internal charges are not reflected under repairs and maintenance in the Statement of financial performance.

#### Transitional provisions

##### Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework, as disclosed in note 49, certain property, plant and equipment with a carrying value of R33 725 357.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	43 538 998	(12 128 059)	31 410 939	16 679 941	(9 547 974)	7 131 967

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
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### 10. Intangible assets (continued)

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Additions through transfer of functions/merge rs	Amortisation	Total
Computer software, other	7 131 967	26 612 939	97 488	(2 431 455)	31 410 939

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	6 371 756	3 185 123	(105 767)	(2 319 145)	7 131 967

### 11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	245 913	-	245 913	245 913	-	245 913
Historical monuments	278 401	-	278 401	278 401	-	278 401
Historical buildings	2 242 680	-	2 242 680	2 242 680	-	2 242 680
<b>Total</b>	<b>2 766 994</b>	<b>-</b>	<b>2 766 994</b>	<b>2 766 994</b>	<b>-</b>	<b>2 766 994</b>

#### Reconciliation of heritage assets 2017

	Opening balance	Total
Art Collections, antiquities and exhibits	245 913	245 913
Historical monuments	278 401	278 401
Historical buildings	2 242 680	2 242 680
	<b>2 766 994</b>	<b>2 766 994</b>

#### Reconciliation of heritage assets 2016

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	245 913	-	245 913
Historical monuments	235 101	43 300	278 401
Historical buildings	2 242 680	-	2 242 680
	<b>2 723 694</b>	<b>43 300</b>	<b>2 766 994</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>12. Financial liabilities</b>		
<b>At amortised cost</b>		
DBSA	97 609 915	152 972 710
Nedbank	185 969 135	225 506 232
Rand merchant bank	3 383 832	5 308 123
Standard bank	348 437 779	-
Terms and conditions		
INCA	60 208 211	86 658 981
	<b>695 608 872</b>	<b>470 446 046</b>
<b>Total other financial liabilities</b>	<b>695 608 872</b>	<b>470 446 046</b>
<b>Non-current liabilities</b>		
At amortised cost	539 612 552	348 099 897
<b>Current liabilities</b>		
At amortised cost	155 996 320	122 346 149



## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

#### 12. Financial liabilities (continued)

##### Long - term liabilities

##### External Loan

	DBSA 967 056 12.00 %	DBSA 1 308 675 14.50 %	RMB 3 383 832 13.95 %	INCA 60 208 211 8.75 %	DBSA 56 529 776 11.70 %	DBSA 8 970 997 6.75 %	DBSA 29 833 411 11.57 %	Nedbank 67 833 915 11.26 %	Nedbank 48 135 220 9.59 %	Nedbank 70 000 000 10.13 %	Standard Bank 348 437 779 10.24 %	Total 695 608 872
2018	5 347 477	1 403 464	2 570 621	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	16 819 016	60 186 783	228 219 794
2019	-	-	1 298 842	33 473 084	21 103 724	4 871 725	17 142 868	31 894 160	12 302 863	15 812 955	60 186 783	198 087 004
2020	-	-	-	-	-	-	-	15 947 080	12 302 863	14 854 074	60 186 783	103 290 800
2021	-	-	-	-	-	-	-	-	12 302 863	13 800 832	60 186 783	86 290 478
2022	-	-	-	-	-	-	-	-	12 302 863	12 787 832	60 186 783	85 277 478
2023	-	-	-	-	-	-	-	-	-	11 773 444	60 186 783	71 960 227
2024	-	-	-	-	-	-	-	-	-	10 757 668	60 186 783	70 944 451
2025	-	-	-	-	-	-	-	-	-	-	60 186 783	60 186 783
2026	-	-	-	-	-	-	-	-	-	-	60 186 783	60 186 783

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>13. Payables from exchange transactions</b>		
Trade payables	440 694 111	389 476 054
Amounts received in advance	29 569 191	24 280 809
Retentions	53 473 185	35 414 073
Other payables	77 253 909	74 244 816
Accrued leave pay	10 634 557	9 580 390
	<b>611 624 953</b>	<b>532 996 142</b>
<b>14. Consumer deposits</b>		
Electricity and Water	64 336 315	42 589 460
Other deposits	3 610 492	2 607 112
	<b>67 946 807</b>	<b>45 196 572</b>
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Water Infrastructure Grant	-	9 344 019
Provincial Housing Grant	2 784 831	12 000 081
Infrastructure Skills Development Grant	1 654 232	(967 268)
Restructuring Grant	9 385	9 385
Provincial Local Government Grants	5 408 820	5 560 424
Provincial Libraries Grant	685 793	346 706
Water Services Operating Grant	-	1 049 215
Extended Public Works Program	-	5 773
Intergrated Electrification Program	-	349 157
uThungulu District	52 992	213 620
	<b>10 596 053</b>	<b>27 911 112</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>16. Provisions</b>		
<b>Reconciliation of provisions - 2017</b>		
Pro rata Bonus	Opening Balance 12 998 173	Additions 901 484  Total 13 899 657
<b>Reconciliation of provisions - 2016</b>		
Pro rata Bonus	Opening Balance 11 743 466	Additions 1 254 707  Total 12 998 173
<b>Pro rata Bonus</b>		
Bonus accrue to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis. The timing of the amount is uncertain with regards to payment of pro-rata bonus when staff members resign.		
<b>17. Employee benefit obligations</b>		
The amounts recognised in the statement of financial position are as follows:		
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(341 274 601)	(298 600 764)
Current service cost	(20 991 753)	(19 229 724)
Interest cost	(31 089 339)	(27 192 949)
Actuarial gain	56 766 363	-
Benefits paid	4 057 593	3 748 836
	<b>(332 531 737)</b>	<b>(341 274 601)</b>
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	341 274 601	298 600 764
Actuarial gain	(56 766 363)	-
Net expense recognised in the statement of financial performance	48 023 499	42 673 837
	<b>332 531 737</b>	<b>341 274 601</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	20 991 753	19 229 724
Interest cost	31 089 339	27 192 949
Settlement	(4 057 593)	(3 748 836)
	<b>48 023 499</b>	<b>42 673 837</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>17. Employee benefit obligations (continued)</b>		
<b>Key assumptions used</b>		
The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH Actuarial Consulting, carried out a statutory valuation for the year ended 30 June 2015 with projected liabilities for year ending 2016 and 2017. There are no planned assets. Assumptions used at the reporting date:		
Net discount rates - health care cost inflation	1.46 %	0.86 %
Discount rates used	9.78 %	9.16 %
Average retirement age	56	55
Maximum subsidy inflation rate	5.78 %	7.74 %
Net discount rate - Maximum subsidy inflation	3.79 %	1.32 %
Continuation of membership at retirement	80.00 %	80.00 %
Expected increase in healthcare costs	8.20 %	8.24 %
Proportion married at retirement	90.00 %	90.00 %

## 18. Housing development fund

The Housing development fund is represented by the following assets:

Opening Balance	2 749 778	167 450 030
Bank and Cash	2 749 778	13 122 552
Accumulated Surplus	(2 749 778)	(177 822 804)
	<b>2 749 778</b>	<b>2 749 778</b>

## 19. Accumulated surplus

### Ring-fenced internal funds and reserves within accumulated surplus - 2017

	Capital replacement reserve	Accumulated surplus	Total
Opening balance	236 017 261	4 509 609 590	4 745 626 851
Transfer to capital replacement reserve	75 280 395	(75 280 395)	-
Surplus for the year	-	213 235 009	213 235 009
	<b>311 297 656</b>	<b>4 647 564 204</b>	<b>4 958 861 860</b>

## 20. Service charges

Sale of electricity	1 506 657 693	1 332 585 701
Sale of water	336 492 585	222 982 447
Sewerage and sanitation charges	81 746 919	79 471 780
Refuse removal	73 580 195	68 121 503
Surcharge on water	5 340 265	4 621 028
	<b>2 003 817 657</b>	<b>1 707 782 459</b>

An amount of R10 418 194.54 (2016: R9 627 039.85) received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>21. Other income</b>		
Building plans	1 284 354	1 495 836
Extension fees	18 698 542	18 008 449
Connection fees	8 354 955	7 617 922
Skills levy fees	1 456 441	1 123 481
Insurance claims refund	7 571 590	4 299 455
Sundries	28 396 789	24 148 552
Advertisement	2 609 645	2 698 651
Transaction handling fees	530 009	2 573 807
Discount received	902	1 521 744
Inventory gains	-	47 006
Meter Replacement	30 212	-
Fines and penalties	2 600	-
	<b>68 936 039</b>	<b>63 534 903</b>
<b>22. Interest received - investment</b>		
<b>Interest revenue</b>		
Bank	60 875 363	32 411 106

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>23. Property rates</b>		
<b>Rates received</b>		
Residential	151 618 223	144 301 380
Commercial	101 239 514	90 391 524
State	26 479 114	24 418 295
Vacant land	33 016 363	29 284 776
Public benefit organisations	116 110	2 436
Agriculture	1 608 729	1 544 784
Industrial	128 464 936	119 792 494
Mining	682 898	643 425
Public service infrastructure	158 555	49 477
Less: Income forgone	(45 690 719)	(39 354 666)
	<b>397 693 723</b>	<b>371 073 925</b>
Property rates - penalties imposed	3 211 971	2 221 128
	<b>400 905 694</b>	<b>373 295 053</b>

### Valuations

Residential	18 256 894 010	18 256 471 360
Commercial	5 785 938 000	5 478 898 000
State	2 858 829 000	2 713 381 000
Vacant land	2 589 763 000	2 461 746 000
Public benefit organisations	48 601 000	111 510 000
Agriculture	723 633 000	613 025 000
Industrial	7 072 976 000	7 028 947 000
Mining	71 334 000	35 942 000
Public service infrastructure	182 818 150	172 953 200
Multiple use	511 065 000	618 475 000
	<b>38 101 851 160</b>	<b>37 491 348 560</b>

The first valuation in terms of the Property Rates Act No.6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. One supplementary valuation roll and objection roll in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

New Category Of Properties	Rates Randage	Ratio to Residential Tariff
Residential	0.0083	1:1.00
Business/Commercial	0.0174	1:2.10
Industrial	0.0181	1:2.20
Agricultural	0.0021	1:0.25
Public Service Purposes ( State Owned )	0.0095	1:1.10
Public Services Infrastructure	0.0021	1:0.25
PBO's	0.0021	1:0.25
Mining	0.0190	1:2.30
Vacant Land	0.0145	1:1.75

Subject to the provisions contained in the Rates Policy and upon application, the following rebates were applied:

Agricultural Properties - 5%

Non-profit Organisations - 20%

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements for the year ended 30 June 2017

2017  
R

2016  
R

#### 23. Property rates (continued)

Pensioners - R15 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R105 000 of the valuation on all developed residential properties with >R40 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is 30 September of each year, and 30 June for monthly ratepayers. Interest of prime plus 1% is levied on outstanding rates.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>24. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	251 497 164	229 925 000
Municipal Dermacation Grant	6 314 000	930 000
Financial management grant	2 440 166	1 481 930
Expanded public works program	5 061 000	2 955 227
Infrastructure skills development grant	3 878 500	7 395 576
uMhlathuze urban development framework	-	42 390
Provincial Housing	1 526 798	16 755 066
Provincial Libraries	8 773 913	8 009 056
uThungulu District Municipality	160 628	-
Other Government Grants	21 304	-
King Cetshwayo Refuse Grant	318 040	-
	<b>279 991 513</b>	<b>267 494 245</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	88 045 120	92 017 343
Intergrated National Electrification Program	-	948 412
Rural Household Infrastructure Grant	-	4 500 000
Water Services Infrastructure Grant	40 736 000	36 436 825
Water Services Operating Subsidy Grant	-	5 219 987
Provincial Housing Grant	9 234 668	83 262 330
Provincial Local Government Grant	1 130 300	2 154 863
Provincial Libraries	-	355 935
Financial Management Grant	96 834	118 070
King Cetshwayo Grant	5 624 601	-
	<b>144 867 523</b>	<b>225 013 765</b>
	<b>424 859 036</b>	<b>492 508 010</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal Systems Improvement Grant</b>		
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>
National Conditional Grants are allocated in terms of the Division of Revenue Act. The Municipal Systems Improvement Grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal systems act and related legislation.		
<b>Water Services Infrastructure Grant</b>		
Balance unspent at beginning of year	9 344 019	4 122 856
Current-year receipts	40 736 000	50 882 000
Grant withheld	(9 344 019)	(4 121 454)
Conditions met - transferred to revenue	(40 736 000)	(36 436 825)
Conditions met - transferred to revenue	-	(5 102 558)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>9 344 019</b>



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>24. Government grants and subsidies (continued)</b>		
National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	9 099 693
Current-year receipts	99 817 000	93 154 000
Conditions met - transferred to revenue	(88 045 120)	(92 017 344)
Other	(11 771 880)	(10 236 349)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>

National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

### Provincial Housing Grant

Balance unspent at beginning of year	12 000 081	14 838 929
Current-year receipts	903 640	86 329 120
Conditions met - transferred to revenue	(10 761 467)	(90 233 239)
Interest Received	642 577	1 065 271
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>2 784 831</b>	<b>12 000 081</b>

Provincial Housing Grant were allocated to assist in the refurbishment of various hostels. The grant are spent in accordance with a business plan approved by the Provincial government. Fund were provided for the housing operating account. Funds were also provided for the Municipality to implement the enhanced extended discount benefit scheme. No funds were withheld. An amount of R 5 598 678 was transferred to the Brackenhams Housing reserve (Municipal housing operating account) in terms of an agreement between Council and the Department of Human Settlement. A tri-party agreement between Waterstone country estate, the City of Umhlathuze and the Department of Human Settlement was signed to procure the property for affordable housing development.

### Infrastructure skills grant

Balance unspent at beginning of year	(967 268)	(1 071 692)
Current-year receipts	6 500 000	7 500 000
Conditions met - transferred to revenue	(3 878 500)	(7 395 576)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>1 654 232</b>	<b>(967 268)</b>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The infrastructure and skills development grant is used to strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure by increasing the pool of skills available, to facilitate lifelong learning and the transfer of knowledge and skills to municipalities and to sustain infrastructure related management capacity in local government.

### Finance Management Grant

Current-year receipts	2 537 000	1 600 000
Conditions met - transferred to revenue	(2 537 000)	(1 600 000)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The financial management grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

### Restructuring Grant

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
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### 24. Government grants and subsidies (continued)

Balance unspent at beginning of year	9 385	9 385
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National Conditional Grant are allocated in terms of the Division of Revenue Act. The Restructuring grant received in 2002, 2003 and 2004 from National treasury has been earmarked for certain projects that will improve the local economy.

#### Provincial Local Government Grant

Balance unspent at beginning of year	5 560 424	7 657 678
Current-year receipts	-	266 000
Conditions met - transferred to revenue	(1 151 604)	(2 363 254)
Other	1 000 000	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>5 408 820</b>	<b>5 560 424</b>

Provincial local government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial government.

#### Provincial Libraries

Balance unspent at beginning of year	346 706	380 762
Current-year receipts	8 938 000	8 164 935
Conditions met - transferred to revenue	(8 598 913)	(8 198 991)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>685 793</b>	<b>346 706</b>

Provincial library grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni library study hall. Funds were also provided to refurbish the old community hall at Felixton into a library. Further funding was also received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial government. No funds have been withheld.

#### Water Services Operating Subsidy Grant

Balance unspent at beginning of year	1 049 215	1 257 477
Current-year receipts	-	7 000 000
Grant Withheld	(1 049 215)	(1 257 477)
Conditions met - transferred to own revenue (VAT)	-	(5 219 987)
Other	-	(730 798)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>1 049 215</b>

Department of water affairs refurbishment grant and subsidy for water services works. The grant is spent in accordance with an approved business plan.

#### Expanded public works program

Balance unspent at beginning of year	5 773	-
Current-year receipts	5 061 000	2 961 000
Conditions met - transferred to revenue	(5 061 000)	(2 955 227)
Grant Withheld	(5 773)	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>5 773</b>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP guidelines.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>24. Government grants and subsidies (continued)</b>		
<b>Rural Household infrastructure grant</b>		
Balance unspent at beginning of year	-	2 352 375
Current-year receipts	-	4 500 000
Grant Withheld	-	(2 352 375)
Conditions met - transferred to revenue	-	(4 500 000)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The grant is to provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk-dependent services are not viable.

### Integrated National Electrification Programme

Balance unspent at beginning of year	349 157	(7 702 431)
Current-year receipts	-	9 000 000
Conditions met - transferred to revenue	(349 157)	(948 412)
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>349 157</b>

Department of Minerals and Energy provided a grant in support of electrification projects. The grants are spent in accordance with an approved business plan.

### uThungulu District

Balance unspent at beginning of year	213 620	-
Current-year receipts	-	213 620
Other	(160 628)	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>52 992</b>	<b>213 620</b>

uThungulu district allocated funds for the capacity building grant, for the beach protection project at Alkantstrand beach Richards Bay and also provided a subsidy to assist in the daily running of the Empangeni museum. No funds have been withheld.

### Municipal Demarcation Grant

Current-year receipts	6 314 000	-
Conditions met - transferred to revenue	(6 314 000)	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect at the time of the 2016 local government elections.

### King Cetshwayo Refuse Grant

Current-year receipts	31 040	-
Conditions met - transferred to revenue	(31 040)	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<b>-</b>	<b>-</b>

Refuse services grant received from the district municipality in the former Ntambanana municipality area. No funds were withheld.

### King Cetshwayo Grant

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>24. Government grants and subsidies (continued)</b>		
Current-year receipts	5 624 601	-
Conditions met - transferred to revenue	(5 624 601)	-
<b>Conditions still to be met - remain liabilities (see note 15)</b>	<u>-</u>	<u>-</u>

The King Cetshwayo district municipality donated assets that were utilised in providing water services at the Ntambana area.

### 25. Public contributions and donations

Lotto Funding	1 512 234	4 740 213
Other Public contributions and donations	1 031 079	-
	<u><b>2 543 313</b></u>	<u><b>4 740 213</b></u>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>26. Employee related costs</b>		
Basic	384 809 210	355 159 542
Bonus	31 742 178	29 874 874
Medical aid - company contributions	33 777 543	30 553 620
UIF	3 454 141	3 075 026
Leave pay provision charge	14 954 325	13 784 368
Defined contribution plans	5 291 256	4 447 251
Travel, motor car, accommodation, subsistence and other allowances	40 972 192	35 916 966
Overtime payments	48 927 328	47 055 121
Housing benefits and allowances	4 414 021	3 991 548
Cellphone allowances	2 872 534	2 562 899
Contributions to pensions and group life	72 670 106	66 351 825
Protective Clothing	140 000	-
	<b>644 024 834</b>	<b>592 773 040</b>

### 2017 : Remuneration to senior managers & managers

	Municipal Manager	COO
Annual Remuneration	1 220 251	1 382 228
Annual Bonus	101 688	-
Performance Bonus	145 611	126 859
Contribution to UIF, Medical & Pension Fund	346 087	76 089
Travel Allowance	240 000	157 057
	<b>2 053 637</b>	<b>1 742 233</b>

### 2016 : Remuneration to senior managers & managers

	Municipal Manager	COO	DMM: Infrastructure & Technical Service
Annual Remuneration	1 220 251	1 382 228	1 089 640
Annual Bonus	101 688	-	158 694
Performance Bonus	173 347	38 141	57 790
Travel Allowance	240 000	158 103	-
Contribution to UIF, Medical & Pension Fund	335 018	73 507	2 653 802
	<b>2 070 304</b>	<b>1 651 979</b>	<b>3 959 926</b>

### 2017 : Remuneration to senior managers & managers

	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 244 163	443 063	1 274 896	1 319 175	633 874
Annual Bonus	103 680	64 456	106 241	-	52 823
Performance Bonus	72 680	95 144	174 431	79 287	-
Housing Subsidy	-	-	-	-	8 904
Contribution to UIF, Medical & Pension Fund	108 459	87 159	29 637	93 848	187 878
Travel Allowance	159 072	40 000	204 600	202 351	267 416
	<b>1 688 054</b>	<b>729 822</b>	<b>1 789 805</b>	<b>1 694 661</b>	<b>1 150 895</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>26. Employee related costs (continued)</b>		
<b>2016 : Remuneration to senior managers &amp; managers</b>	DMM: City Development	DMM: Community Services
Annual Remuneration	1 229 248	1 160 214
Annual Bonus	-	87 395
Performance Bonus	-	124 826
Travel Allowance	148 034	120 036
Contribution to UIF, Medical & Pension Fund	95 900	236 940
	<b>1 473 182</b>	<b>1 729 411</b>
<b>2017 : Remuneration to senior managers &amp; managers</b>	Head: Financial Service Exp	Head: Financial Service Revenue
Annual Remuneration	633 874	633 874
Annual Bonus	52 823	52 823
Housing Subsidy	8 904	-
Travel Allowance	267 416	267 416
Contribution to UIF, Medical & Pension Fund	268 986	179 553
	<b>1 232 003</b>	<b>1 133 666</b>
<b>2016 : Remuneration to senior managers &amp; managers</b>	Head: Financial Service Exp	Head: Financial Service Revenue
Annual Remuneration	597 994	498 329
Annual Bonus	49 833	-
Housing Subsidy	8 400	-
Travel Allowance	253 514	211 089
Contribution to UIF, Medical & Pension Fund	265 247	116 898
	<b>1 174 988</b>	<b>826 316</b>
<b>2017 : Remuneration to senior managers &amp; managers</b>	Head: Health & Safety	Head: Electrical Services
Annual Remuneration	392 099	633 874
Annual Bonus	57 309	-
Travel Allowance	163 842	267 415
Contribution to UIF, Medical & Pension Fund	323 946	235 092
	<b>937 196</b>	<b>1 136 381</b>
<b>2016 : Remuneration to senior managers &amp; managers</b>	Head: Health & Safety	Head: Electrical Services
Annual Remuneration	597 994	597 994
Annual Bonus	49 833	49 833
Travel Allowance	253 513	253 513
Contribution to UIF, Medical & Pension Fund	231 035	169 940
	<b>1 132 375</b>	<b>1 071 280</b>
	DMM: Financial Services (CFO)	DMM: Corporate Services
Annual Remuneration	1 274 896	1 319 175
Annual Bonus	79 056	-
Performance Bonus	166 435	36 986
Travel Allowance	204 600	203 784
Contribution to UIF, Medical & Pension Fund	28 102	90 880
	<b>1 753 089</b>	<b>1 650 825</b>
	Head: Transport Raods	Head: Water and Sanitation
Annual Remuneration	846 980	633 874
Annual Bonus	-	52 823
Housing Subsidy	-	-
Travel Allowance	298 765	267 416
Contribution to UIF, Medical & Pension Fund	277 909	194 337
	<b>1 423 654</b>	<b>1 148 450</b>
	Head: Transport Raods	Head: Water and Sanitation
Annual Remuneration	597 994	249 164
Annual Bonus	49 833	-
Housing Subsidy	8 400	-
Travel Allowance	253 514	105 567
Contribution to UIF, Medical & Pension Fund	177 275	70 536
	<b>1 087 016</b>	<b>425 267</b>
	Head: Public Safety	Head: Park, Sport & Recreation
Annual Remuneration	36 306	422 583
Annual Bonus	-	56 875
Travel Allowance	13 134	185 921
Contribution to UIF, Medical & Pension Fund	-	311 019
	<b>49 440</b>	<b>976 398</b>
	Head: Public Safety	Head: SCM
Annual Remuneration	73 839	597 994
Annual Bonus	-	49 833
Travel Allowance	25 084	253 514
Contribution to UIF, Medical & Pension Fund	-	293 427
	<b>98 923</b>	<b>1 194 768</b>
	Head: Public Safety	Head: SCM
Annual Remuneration	73 839	597 994
Annual Bonus	-	49 833
Travel Allowance	25 084	253 514
Contribution to UIF, Medical & Pension Fund	-	293 427
	<b>98 923</b>	<b>1 194 768</b>
	Head: Public Safety	Head: SCM
Annual Remuneration	73 839	597 994
Annual Bonus	-	49 833
Travel Allowance	25 084	253 514
Contribution to UIF, Medical & Pension Fund	-	293 427
	<b>98 923</b>	<b>1 194 768</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>27. Remuneration of councillors</b>		
Mayor	758 270	785 310
Deputy Mayor	626 184	666 974
Mayoral Committee Members	4 405 387	4 997 184
Speaker	622 354	640 344
Councillors	16 526 594	14 477 144
Councillors' pension contribution	2 603 584	2 324 103
	<b>25 542 373</b>	<b>23 891 059</b>
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. They are provided with an office and secretarial support at the cost of the Council.		
The Mayor, Speaker and the Deputy Mayor and Chief Whip each have the use of separate Council owned vehicles for official duties.		
<b>28. Depreciation and amortisation</b>		
Property, plant and equipment	349 212 177	348 288 940
Investment property	745 786	737 896
Intangible assets	2 431 455	2 319 145
	<b>352 389 418</b>	<b>351 345 981</b>
<b>29. Finance costs</b>		
Non-current borrowings	68 940 376	58 693 589
<b>30. Debt impairment</b>		
Debt impairment	8 891 010	36 646 113
<b>31. Bulk purchases</b>		
Electricity	1 087 028 181	921 140 887
Water	114 314 760	126 670 598
	<b>1 201 342 941</b>	<b>1 047 811 485</b>
<b>32. Contracted services</b>		
Cleaning Services	2 805 071	1 945 962
Security	47 802 560	37 924 078
Sewerage and waste disposal	93 738 946	42 969 330
Meter reading	4 892 990	6 326 536
Other Contractors	16 190 235	16 362 255
	<b>165 429 802</b>	<b>105 528 161</b>
<b>33. Grants and subsidies paid</b>		
<b>Grants and Subsidies Paid</b>		
Subsidies	9 319 378	18 149 132

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>33. Grants and subsidies paid (continued)</b>		
<b>Municipal Grants and Subsidies Paid</b>		
Richards Bay Country Club	73 197	271 239
16 Days of Activism	52 500	-
SATMA Awards	1 500 000	1 000 000
S P C A	-	333 300
Hippo Rally	60 000	-
Second Annual Spring Music Tour Festival	-	80 500
Sundries	1 078 464	236 750
Bursaries Employees Children	570 834	676 225
uMhlathuze Gospel Competition	-	82 500
Dolos Festival	-	100 000
Reed Dance	-	8 000
Women's Summit	16 271	-
Senior Citizens	15 750	-
Operation Sukuma Sakhe Programs	19 950	-
Community Mayor Outreach	48 184	-
University Registration	616 000	488 500
Thanda Royal Zulu	2 500 000	1 500 000
Last Dance Festival	1 000 000	700 000
Youth Summit	108 947	25 827
Afrika Rize Raggea Festival	-	30 000
Disaster Management	726 251	321 735
Diwali Committee	-	100 000
Matriculants	-	12 850
World Open Champion	-	10 000
Zululand Trade Fair	-	213 950
Comedy Show	-	60 000
Umhlathuze Music Festival	-	100 000
UnguJehova Tour	-	15 000
Mncwabe Gospel Competition	-	62 000
Maskandi Competition	-	24 000
SA Got Talent	-	10 000
Soccer Madness Tournament	-	384 450
Learners Attending Eskom Expo	-	4 400
Mkhwanazi Traditional Authority Prayer Day	-	100 000
Economic Development and Job Creation	-	151 750
Department of Human Settlement	-	10 696 156
uThungulu Social Cohesion Summit	-	350 000
Profiling People with Disability	51 130	-
Amenisto Christmas Jam	67 000	-
Keep Girls in School	22 800	-
uMhlathuze Local Football Association	179 000	-
Empangeni Rugby Club	50 000	-
2016 Cluster Elimination Games	83 100	-
Netball Athletics	10 500	-
National Rhythimical Gymnastics Championship	1 500	-
Maskandi Festival	182 000	-
Downstream Alluminium Centre for Technology	150 000	-
eSikhawini Kyokushin Karate Club	16 000	-
Black Industrial Business Breakfast Partnership	100 000	-
Richards Bay Primary School	20 000	-
	<b>9 319 378</b>	<b>18 149 132</b>



# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>34. General expenses</b>		
Advertising	5 432 045	4 997 106
Auditors remuneration	3 332 906	3 372 055
Bank charges	5 965 645	4 909 882
Cleaning	26 007	16 207
Commission paid	6 399 000	5 240 323
Consulting and professional fees	14 287 423	13 772 377
Consumables	2 646 483	2 830 400
Legal expenses	2 413 967	4 226 275
Entertainment	579 017	104 919
Catering Municipal Activities	4 402 253	4 146 068
Insurance	3 883 007	3 400 329
Community development and training	3 539 518	4 066 044
Conferences and seminars	511 871	758 172
Bus Diesel	339 910	276 439
Examination of samples	6 625 565	2 594 824
Levies	5 435 720	4 974 530
Motor vehicle expenses	-	392 421
Packaging	149 346	43 093
Pest control	154 090	14 634
Fuel and oil	18 155 169	22 054 757
Resettlement Cost	123 281	143 924
Postage and courier	1 739 216	1 776 100
Printing and stationery	358 665	179 844
Workmen's Compensation Fund	3 259 362	2 894 745
Software expenses	12 798 583	9 249 453
Subscriptions and membership fees	6 828 850	6 984 018
Telephone and fax	3 408 160	2 135 882
Refuse	6 549 763	6 554 343
Uniforms	4 292 970	2 385 878
Bursaries	742 290	524 807
Indigent support	2 697 247	2 212 267
Licences	1 692 563	2 480 045
Materials and Supplies	10 554 209	35 976 955
Travel and Subsistence	4 139 315	4 776 783
Rental of property, plant and equipment	37 790 109	11 164 455
Venue expenses	2 381 541	1 960 692
	<b>183 635 066</b>	<b>173 591 046</b>
<b>35. Gains on disposal of land</b>		
Gain arising from sale of land	1 368 441	15 553 385
<b>36. Auditors' remuneration</b>		
Fees	3 332 906	3 372 055

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

	2017 R	2016 R
<b>37. Cash generated from operations</b>		
Surplus	213 235 009	124 265 683
<b>Adjustments for:</b>		
Depreciation and amortisation	352 389 418	351 345 981
Loss on sale of assets and liabilities	(72 599)	(13 257 795)
Debt impairment	8 891 010	36 646 113
Movements in retirement benefit assets and liabilities	(8 742 864)	42 673 837
Movements in provisions	901 484	1 254 707
Gain on transfer of functions	(39 467 128)	-
Other non-cash items	19 797	14 592 716
<b>Changes in working capital:</b>		
Inventories	(2 351 071)	28 190 066
Consumer debtors	(74 964 197)	(86 331 140)
Other receivables from non-exchange transactions	(14 380 855)	(50 563 552)
Payables from exchange transactions	78 628 808	153 693 960
VAT	18 446 141	(42 589 772)
Unspent conditional grants and receipts	(17 315 059)	(12 831 701)
Consumer deposits	22 750 235	1 244 506
	<b>537 968 129</b>	<b>548 333 609</b>
<b>38. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	163 443 964	460 545 373
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	357 811 136	181 565 435
<b>Total capital commitments</b>		
Already contracted for but not provided for	163 443 964	-
Not yet contracted for and authorised by accounting officer	357 811 136	-
	<b>521 255 100</b>	<b>-</b>

This committed expenditure relates to property and will be financed by available bank facilities, government grants, funds internally generated, etc.

### 39. Contingencies

Guy Morton Shaw Smith N.O. and 2 others referred to as Indlovu Development Trust ( Mzingazi Golf Estate developers) launched an application against council for an amount of R1 142 748.90 in respect of bulk services contribution. They claim that Council unlawfully appropriated this amount from the proceeds of the sale while council was only supposed to levy R 121 355.45. They seek an order for payment of the sum of R 1 142 748.90, interest at the rate of 9% per annum from the date of demand costs of suit and further and / or alternative relief. The matter was defended and is ongoing. The court date has not been set.

Council procured services from Kulu Civils in respect of Tenders 8/2/1/UMH22-15/16 and 8/2/1/UMH23-15/16. The contractor subsequently did not comply with the conditions in the letter of intention to award. The intention to award was subsequently cancelled. Kulu Civils has referred the matter to the Adjudicator who found in favour of the contractor that they were entitled to general costs, loss of profit. The decision of the Adjudicator has been challenged and a review application has been lodged in the High Court. The matter is ongoing.

### 40. Related parties

There were no related party transactions that occurred during the year.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

### 41. Prior-year adjustments

During the year the municipality reversed depreciation on assets that were fully depreciated but still in use. There was also inventory land that was disclosed incorrectly and therefore prior year adjustment was made. The housing development fund was adjusted in the prior year because of reserves that were included in the fund but were not part of the fund. Presented below are those items contained in the statement of financial position that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2016

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment (Accumulated depreciation)	9	7 219 692 144	(203 431 702)	7 016 260 442
Inventory	2	67 672 230	4 744 600	72 416 830
Unspent conditional grants and subsidies	15	18 126 956	9 784 156	27 911 112
Housing development fund	18	129 588 396	(126 838 618)	2 749 778
Accumulated surplus	19	4 420 400 614	325 226 240	4 745 626 854
		<b>11 855 480 340</b>	<b>9 484 676</b>	<b>11 864 965 016</b>

### 42. Financial risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: liquidity risk, credit risk and interest rate risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the . Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Up to one year	1 - 5 years	> 5 years	Total
Financial liabilities	228 219 795	544 905 987	191 318 018	964 443 800
Trade and other payables	661 624 953	-	-	661 624 953
	<b>889 844 748</b>	<b>544 905 987</b>	<b>191 318 018</b>	<b>1 626 068 753</b>

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

### 42. Financial risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Call Investments	645 000 000	290 000 000
Cash and Cash Equivalents	124 745 373	172 406 308
Long term receivables	48 103	71 828
Consumer debtors	350 981 207	288 063 026
Other Receivables	34 325 712	94 027 207

#### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain its borrowings in fixed rate instruments.

### 43. Events after the reporting date

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

### 44. Unauthorised expenditure

There was no unauthorised, irregular or fruitless and wasteful expenditure incurred during the year.

### 45. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	6 828 849	6 984 018
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#### Audit fees

Current year subscription / fee	3 332 906	3 372 055
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# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

### 45. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### PAYE and UIF

Opening balance	7 662 452	6 153 482
Current year subscription / fee	95 235 378	88 234 096
Amount paid - current year	(95 235 378)	(80 571 644)
Amount paid - previous years	(7 662 452)	(6 153 482)
	<u>-</u>	<u>7 662 452</u>

#### Pension and Medical Aid Deductions

Opening balance	7 208 807	6 496 247
Current year subscription / fee	152 735 146	174 316 918
Amount paid - current year	(152 737 099)	(167 108 111)
Amount paid - previous years	(7 208 807)	(6 496 247)
	<u>(1 953)</u>	<u>7 208 807</u>

#### VAT

VAT receivable	<u>34 325 712</u>	<u>52 771 853</u>
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dlamini SG ( Gift)	178	1 321	1 499
Mthembu SP ( Solile P )	-	2 581	2 581
Wanda TP ( Thabisile )	-	1 771	1 771
Zondi G ( Graduate)	1 645	21 588	23 233
Mthethwa KN ( Khethumusa)	912	2 478	3 390
Xulu ZZ ( Zakheleni)	1 136	1 558	2 694
	<u>3 871</u>	<u>31 297</u>	<u>35 168</u>
30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dlamini SG ( Gift)	186	4 030	4 216
Mthembu SP ( Solile P )	-	2 581	2 581
Wanda TP ( Thabisile )	-	1 741	1 741
Zondi LP ( Lucky )	1 112	19 881	20 993
	<u>1 298</u>	<u>28 233</u>	<u>29 531</u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

# City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

### 45. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

<b>Incident</b>		
Emergency	28 600 912	31 254 536
Sole Provider	5 994 960	4 049 062
Exceptional case where it is impossible to follow the official procurement processes	46 331 047	25 612 475
	<b>80 926 919</b>	<b>60 916 073</b>

### 46. Budget differences

#### Material differences between final budget and actual amounts (20% variance)

Statement of Financial Performance

#### Revenue

**Other Income:** The variance is the result of high revenue received on extension fees for engineering contribution and also own revenue on MIG vat.

**Interest Received- Investment:** The variance is the result of increased in surplus funds available for investments during the year mainly due to delayed capital expenditure.

**Fines:** The variance is due to that the municipality uses past trends when budgeting for traffic fines revenue whilst actual revenue is recorded by applying IGRAP 1 requirements.

Expenditure

**Debt Impairment:** The contribution to the debt impairment provision reduced due to an increase in bad debt written off in the financial year.

**Post employment benefits expenses:** This expenditure item represents the costs calculated by an actuarial valuator on the post-employment medical benefits as required in terms of GRAP 25. This cost is not included in the budget.

**Collection costs:** The variance is due to a reduction in number of debtors accounts that have been handed over to the attorneys for collection.

**Repairs and maintenance:** The variance is due to increase in unplanned maintenance which is caused by emergencies.

**Contracted Services:** The variance is due to increase in security costs and waste disposal costs

**General Expenses:** The variance is due to reduced expenditure on material and supply, legal fees and uniforms

Statement of Financial Position

**Total liabilities:** The variance is due mainly to an increase in payables from exchange transactions as resulting from increased expenditure in the month of June.

### 47. Contractual Liabilities

Gaurantee by uMhlathuze Municipality in respect of Postal Sevices is R 200 000

### 48. Operating lease

The municipality as a lessee

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

#### 48. Operating lease (continued)

At the reporting date, the municipality has an outstanding commitments under operating leases which fall due as follows:

Buildings	2017	2016
Within one year	-	2 400
In the second to the fifth year inclusive	-	9 600
	<u>-</u>	<u>12 000</u>

IT equipment	2017	2016
Within one year	1 331 618	-
In the second to the fifth year inclusive	2 219 363	-
	<u>3 550 981</u>	<u>-</u>

Operating lease payment represents rentals payments by the municipality for certain of its offices. The municipality also has current lease arrangements for three years for printers. No contingent rent is payable.

#### 49. Transfer of functions between entities not under common control

##### Transfer of Ntambanana municipality

On 11 August 2016 the municipality took over 3 wards from former Ntambanana municipality due to the de-establishment of Ntambanana municipality as a result of re-determination of boundaries in terms of Section 21 of the Local Government: Municipal Demarcation Act, 1998 (ACT NO 27 of 1998) and Provincial notice 15 of 2016.

The municipality used transitional provisions as per Directive 3 to report provisional amounts for assets and liabilities acquired through this transfer.

##### The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed

Property, plant and equipment	33 725 357	-
Intangible assets	97 488	-
Vat receivable	686 489	-
Receivables from exchange transactions	1 693 788	-
Cash and cash equivalents	5 639 797	-
Unspent conditional grants and receipts	(968 082)	-
Provisions	(8 226)	-
Payables from exchange transaction	(1 399 483)	-
<b>Total identifiable net assets</b>	<u><b>39 467 128</b></u>	<u><b>-</b></u>

#### 50. Change in estimate

##### Property, plant and equipment

The municipality in the current financial year changed the estimated useful lives of certain property, plant and equipment, intangible assets and investment properties that were reaching their initial estimated useful lives. The effect of this revision has reduced the depreciation charges for the current and future periods by R 7 716 810.

## City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

#### 51. Water Losses

**Water Losses for uMhlathuze Municipality calculated at a variable cost per kilometre amounts to:**

Total produced and purchased (KL)	32 596 276	35 232 475
Total Sold (KL)	24 094 620	25 985 940
Water Loss (KL)	8 501 656	9 246 535
% Loss	26	26
Variable Cost / KL	4	4
<b>Loss in rand value</b>	<b>34 006 624</b>	<b>37 078 605</b>

Water Losses are attributed to the following reasons:

Non-technical reasons: Included in these losses is measured water through bulk meters supplying the Traditional Areas of Mkhwanazi South, North and Dube. However individuals are not metered yet hence not billed and therefore recorded as lost at this stage.

Technical reasons: Aged reticulation without sufficient replacement, refurbishment and maintenance.

#### 52. Electricity Losses

**Electricity losses for uMhlathuze Municipality calculated at a unit cost per kilowatt amount to:**

Total Purchases (KW)	1 155 330 744	1 396 529 283
Total Sold (KW)	1 068 081 471	1 302 300 100
Electricity Loss (KW)	87 249 273	94 229 183
% Loss	8	7
Unit Cost / KW	1.06	1.00
<b>Loss in rand value</b>	<b>81 141 823</b>	<b>64 274 183</b>

Electricity losses are attributable to the following reasons:

Non-technical reasons : Theft, unmetered supply and error in metering.

Technical reasons : Electrical resistivity in the network. Ageing of network without sufficient replacement, refurbishment and maintenance. Incorrect meter calibration and monitoring.



## Appendix A

### Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Development Bank of South Africa</b>							
Development Bank of SA	10593	2018/03/31	1 828 511	-	861 455	967 056	-
Development Bank of SA	10594	2017/03/31	474 403	-	474 403	-	-
Development Bank of SA	10595	2017/03/31	1 781 163	-	1 781 163	-	-
Development Bank of SA	10596	2017/03/31	414 482	-	414 482	-	-
Development Bank of SA	10597	2018/03/31	2 447 669	-	1 138 994	1 308 675	-
Development Bank of SA	10600	2017/03/31	808 363	-	808 363	-	-
Development Bank of SA	10601	2017/03/31	480 473	-	480 473	-	-
Development Bank of SA	10602	2017/03/31	121 537	-	121 537	-	-
Development Bank of SA	103170	2018/12/31	89 201 762	-	32 671 986	56 529 776	-
Development Bank of SA	103494	2019/06/30	13 028 710	-	4 057 713	8 970 997	-
Development Bank of SA	103494	2019/06/30	42 412 637	-	12 579 226	29 833 411	-
			<b>152 999 710</b>	<b>-</b>	<b>55 389 795</b>	<b>97 609 915</b>	<b>-</b>
<b>Annuity loans</b>							
Rand Merchant Bank	UMHL	2019/06/30	5 281 123	-	1 897 291	3 383 832	-
INCA		2019/06/28	86 658 981	-	26 450 770	60 208 211	-
Nedbank	05/7831/2	2019/12/31	90 172 056	-	22 338 141	67 833 915	-
Nedbank	7831003878/3	2022/06/17	55 334 176	-	7 198 956	48 135 220	-
Nedbank	7831003878/4	2024/06/28	80 000 000	-	10 000 000	70 000 000	-
Standard Bank	407554	2026/06/30	-	385 500 000	37 062 222	348 437 778	-
			<b>317 446 336</b>	<b>385 500 000</b>	<b>104 947 380</b>	<b>597 998 956</b>	<b>-</b>
<b>Total external loans</b>							
Development Bank of South Africa			152 999 710	-	55 389 795	97 609 915	-
Annuity loans			317 446 336	385 500 000	104 947 380	597 998 956	-
			<b>470 446 046</b>	<b>385 500 000</b>	<b>160 337 175</b>	<b>695 608 871</b>	<b>-</b>

## Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions  Rand	Disposals  Rand	Transfers  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Transfers  Rand	Depreciation  Rand	Impairment loss  Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	525 026 950	-	-	-	-	-	525 026 950	-	-	-	-	-	-	525 026 950
	525 026 950	-	-	-	-	-	525 026 950	-	-	-	-	-	-	525 026 950
Infrastructure														
Roads, Pavements & Bridges	3 330 781 176	118 267 708	-	-	-	9 788 873	3 458 837 757	2 200 820 204)	-	-	(83 126 813)	-	2 283 947 017)	1 174 890 740
Transmission & Reticulation	681 506 292	8 082 619	-	-	-	62 221 363	751 810 274	(265 358 666)	-	-	(30 052 241)	-	(295 410 907)	456 399 367
Water purification	4 684 937 378	3 466 949	-	8 517 973	-	93 045 974	4 789 968 274	3 207 285 756)	-	(2 893 378)	(110 694 831)	-	3 320 873 965)	1 469 094 309
Sewerage purification	1 583 283 271	6 626 975	-	-	-	58 371 148	1 648 281 394	(864 747 866)	-	-	(44 887 656)	-	(909 635 522)	738 645 872
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	2 923 262	-	-	-	-	2 923 262	2 923 262	(384 422)	-	-	(103 377)	-	(487 799)	2 435 463
Waste Management	-	1 526 468	-	-	-	-	1 526 468	-	-	-	(87 319)	-	(87 319)	1 439 149
Perestrian Malls	25 411 905	-	-	-	-	-	25 411 905	(16 275 198)	-	-	(1 234 326)	-	(17 509 524)	7 902 381
Other (fibre optic, WIFI infrastrucur)	-	24 041 145	-	-	-	-	24 041 145	-	-	-	(422 701)	-	(422 701)	23 618 444
Security Measures	19 596 122	-	-	-	-	-	19 596 122	(13 256 654)	-	-	(1 936 501)	-	(15 193 155)	4 402 967
	0 328 439 406	162 011 864	-	8 517 973	-	223 427 358	0 722 396 601	6 568 128 766)	-	(2 893 378)	(272 545 765)	-	6 843 567 909)	3 878 828 692
Community Assets														
Parks & gardens	13 662 813	3 403 368	-	-	-	-	17 066 181	(7 740 018)	-	-	(496 785)	-	(8 236 803)	8 829 378
Sportsfields and stadium	115 093 922	-	-	-	-	4 927 883	120 021 805	(21 576 311)	-	-	-	-	(21 576 311)	98 445 494
Swimming pools	35 386 635	1 374 561	-	-	-	-	36 761 196	(15 115 909)	-	-	(1 202 670)	-	(16 318 579)	20 442 617
Community halls	26 223 186	4 954 357	-	13 426 000	-	-	44 603 543	(9 506 317)	-	(1 409 005)	(2 359 435)	-	(13 274 757)	31 328 786
Libraries	17 719 385	43 155	-	2 529 824	-	-	20 292 364	(7 263 830)	-	(749 865)	(710 607)	-	(8 724 302)	11 568 062
Recreational facilities	67 311 117	10 495 956	-	10 379 738	-	-	88 186 811	(30 679 210)	-	(1 049 596)	(4 160 071)	-	(35 888 877)	52 297 934
Clinics	4 021 125	464 233	-	-	-	-	4 485 358	(217 647)	-	-	(182 624)	-	(400 271)	4 085 087
Public conveniences	8 057 133	-	-	-	-	-	8 057 133	(6 624 259)	-	-	(825 044)	-	(7 449 303)	607 830
Land main investments	54 541 111	-	-	-	-	-	54 541 111	(12 319 034)	-	-	-	-	(12 319 034)	42 222 077
Cemeteries	20 232 054	219 350	-	-	-	-	20 451 404	(5 301 449)	-	-	(765 417)	-	(6 066 866)	14 384 538
Fire, safety & emergency	13 107 220	-	-	-	-	5 910 392	19 017 612	(1 344 016)	-	-	(279 783)	-	(1 623 799)	17 393 813
Buses / Taxi ranks	-	-	-	4 204 185	-	-	4 204 185	-	-	(443 627)	(5 361 212)	-	(5 804 839)	11 600 654
	375 355 701	20 954 980	-	30 539 747	-	10 838 275	437 688 703	(117 688 000)	-	(3 652 093)	(16 343 648)	-	(137 683 741)	300 004 962

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2017

#### Cost/Revaluation                      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Painting and art galleries	2 766 994	-	-	-	-	-	2 766 994	-	-	-	-	-	-	2 766 994
	<b>2 766 994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 766 994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 766 994</b>
<b>Specialised vehicles</b>														
<b>Other assets</b>														
General vehicles	148 627 132	12 908 481	(6 168 726)	435 900	-	-	155 802 787	(85 397 003)	4 300 420	(250 537)	(13 428 326)	-	(94 775 446)	61 027 341
Plant & equipment	142 381 107	22 317 659	(73 423)	4 128 144	-	-	168 753 487	(50 529 829)	59 629	(1 151 278)	(23 046 691)	-	(74 668 169)	94 085 318
Furniture & Fittings	16 608 321	565 912	-	2 563 346	-	-	19 737 579	(8 524 867)	-	(1 527 914)	(10 132)	-	(10 062 913)	9 674 666
Office Equipment	49 151 312	1 480 937	(1 086 890)	433 679	-	-	49 979 038	(28 599 495)	996 430	(294 232)	(9 296 982)	-	(37 194 279)	12 784 759
Emergency Equipment	1 318 253	-	-	-	-	-	1 318 253	(541 188)	-	-	-	-	(541 188)	777 065
Other buildings	234 578 179	8 539 662	-	4 514 259	-	8 595 939	256 228 039	(110 869 237)	-	(2 013 662)	(12 644 810)	-	(125 527 709)	130 700 330
Land main investments	69 849 075	-	-	-	-	-	69 849 075	(31 276 777)	-	-	-	-	(31 276 777)	38 572 298
Bins and Containers	7 762 008	-	-	-	-	-	7 762 008	(4 002 869)	-	-	-	-	(4 002 869)	3 759 139
Water craft	352 552	-	-	-	-	-	352 552	(266 860)	-	-	-	-	(266 860)	85 692
Housing development	177 958 149	9 575 555	-	-	-	-	187 533 704	(10 435 666)	-	-	(1 895 824)	-	(12 331 490)	175 202 214
	<b>848 586 088</b>	<b>55 388 206</b>	<b>(7 329 039)</b>	<b>12 075 328</b>	<b>-</b>	<b>8 595 939</b>	<b>917 316 522</b>	<b>(330 443 791)</b>	<b>5 356 479</b>	<b>(5 237 623)</b>	<b>(60 322 765)</b>	<b>-</b>	<b>(390 647 700)</b>	<b>526 668 822</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2017

#### Cost/Revaluation                      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	525 026 950	-	-	-	-	-	525 026 950	-	-	-	-	-	-	525 026 950
Infrastructure	0 328 439 406	162 011 864	-	8 517 973	-	223 427 358	0 722 396 601	6 568 128 766	-	(2 893 378)	(272 545 765)	-	6 843 567 909	3 878 828 692
Community Assets	375 355 701	20 954 980	-	30 539 747	-	10 838 275	437 688 703	(117 688 000)	-	(3 652 093)	(16 343 648)	-	(137 683 741)	300 004 962
Heritage assets	2 766 994	-	-	-	-	-	2 766 994	-	-	-	-	-	-	2 766 994
Other assets	848 586 088	55 388 206	(7 329 039)	12 075 328	-	8 595 939	917 316 522	(330 443 791)	5 356 479	(5 237 623)	(60 322 765)	-	(390 647 700)	526 668 822
	<b>2 080 175 139</b>	<b>238 355 050</b>	<b>(7 329 039)</b>	<b>51 133 048</b>	<b>-</b>	<b>242 861 572</b>	<b>2 605 195 770</b>	<b>7 016 260 557</b>	<b>5 356 479</b>	<b>(11 783 094)</b>	<b>(349 212 178)</b>	<b>-</b>	<b>7 371 899 350</b>	<b>5 233 296 420</b>

#### Agricultural/Biological assets

#### Intangible assets

#### Investment properties

#### Total

Land and buildings	525 026 950	-	-	-	-	-	525 026 950	-	-	-	-	-	-	525 026 950
Infrastructure	0 328 439 406	162 011 864	-	8 517 973	-	223 427 358	0 722 396 601	6 568 128 766	-	(2 893 378)	(272 545 765)	-	6 843 567 909	3 878 828 692
Community Assets	375 355 701	20 954 980	-	30 539 747	-	10 838 275	437 688 703	(117 688 000)	-	(3 652 093)	(16 343 648)	-	(137 683 741)	300 004 962
Heritage assets	2 766 994	-	-	-	-	-	2 766 994	-	-	-	-	-	-	2 766 994
Other assets	848 586 088	55 388 206	(7 329 039)	12 075 328	-	8 595 939	917 316 522	(330 443 791)	5 356 479	(5 237 623)	(60 322 765)	-	(390 647 700)	526 668 822
	<b>2 080 175 139</b>	<b>238 355 050</b>	<b>(7 329 039)</b>	<b>51 133 048</b>	<b>-</b>	<b>242 861 572</b>	<b>2 605 195 770</b>	<b>7 016 260 557</b>	<b>5 356 479</b>	<b>(11 783 094)</b>	<b>(349 212 178)</b>	<b>-</b>	<b>7 371 899 350</b>	<b>5 233 296 420</b>

## Appendix D

### Segmental Statement of Financial Performance for the year ended

Prior Year	Current Year
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Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
1 083 350	97 928 317	(96 844 967)	Executive & Council/Mayor and Council	8 226 407	39 644 147	(31 417 740)
449 778 680	375 551 385	74 227 295	Finance & Admin/Finance	550 358 209	157 295 086	393 063 123
2 660 759	42 303 830	(39 643 071)	Planning and Development/Economic Development/Plan	22 210 509	79 593 342	(57 382 833)
-	16 197 876	(16 197 876)	Health/Clinics	262 286	403 938	(141 652)
12 959 834	87 311 587	(74 351 753)	Comm. & Social/Libraries and archives	15 523 873	74 671 854	(59 147 981)
102 059 853	26 254 959	75 804 894	Housing	13 136 784	15 815 290	(2 678 506)
12 222 507	144 056 147	(131 833 640)	Public Safety/Police	21 054 811	96 776 017	(75 721 206)
11 259 531	175 584 553	(164 325 022)	Sport and Recreation	17 938 868	129 683 818	(111 744 950)
-	-	-	Environmental Protection/Pollution Control	192 984	7 376 782	(7 183 798)
319 367 162	313 658 060	5 709 102	Waste Water Management/Sewerage	370 084 879	343 308 102	26 776 777
11 959 837	265 988 402	(254 028 565)	Road Transport/Roads	38 223 768	186 598 923	(148 375 155)
448 534 719	483 195 174	(34 660 455)	Water/Water Distribution	505 190 903	497 125 516	8 065 387
392 407 707	186 840 662	205 567 045	Electricity /Electricity Distribution	586 734 649	308 833 917	277 900 732
785 655	745 846	39 809	Other/Air Transport	610 720	120 412	490 308
<b>765 079 594</b>	<b>215 616 798</b>	<b>(450 537 204)</b>		<b>149 749 650</b>	<b>937 247 144</b>	<b>212 502 506</b>
<b>Municipal Owned Entities</b>						
<b>Other charges</b>						
(44 001 084)	(618 803 969)	574 802 885		(54 303 020)	(55 035 523)	732 503
<b>(44 001 084)</b>	<b>(618 803 969)</b>	<b>574 802 885</b>		<b>(54 303 020)</b>	<b>(55 035 523)</b>	<b>732 503</b>
765 079 594	215 616 798	(450 537 204)	Municipality	149 749 650	937 247 144	212 502 506
(44 001 084)	(618 803 969)	574 802 885	Other charges	(54 303 020)	(55 035 523)	732 503
<b>721 078 510</b>	<b>596 812 829</b>	<b>124 265 681</b>	<b>Total</b>	<b>095 446 630</b>	<b>882 211 621</b>	<b>213 235 009</b>

**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts			Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Sep	Dec	Mar	Jun	Dec		Yes/ No	
Cleanest Town Award	Nat - Dept of Water Affairs	-	-	-	-	-	-	-	-	-	No	
Water Services Operating Subsidy	Nat - Dept of Water Affairs	-	-	-	-	5 992	-	-	-	None	Yes	
Municipal Infrastructure Grant	National Treasury	28 907 000	30 893 000	40 017 000	19 357 551	16 858 366	17 520 398	46 080 817	-	(1 049 215)	Grant unspent	No
Financial Management Grant	National Treasury	2 537 000	-	-	272 134	672 549	330 957	2 537 000	-	None	Yes	
Equitable share EPWP	National Treasury	116 901 164	68 724 000	65 872 000	-	-	-	-	-	None	Yes	
Infrastructure Skills Development Grant	National Treasury	1 265 000	2 278 000	1 518 000	935 793	850 204	917 305	2 357 698	(5 773)	Grant unspent as at 16/17	Yes	
Municipal Dermacation Grant	National Treasury	3 000 000	-	3 500 000	1 213 538	1 105 164	740 165	819 165	-	None	Yes	
Municipal Water Infrastructure Electrification	National Treasury	1 943 000	2 914 000	1 457 000	382 461	1 676 883	1 608 837	2 645 819	-	None	Yes	
Museum	KZN - Dept of Educ & Culture	15 276 000	25 460 000	-	-	254 099	19 593 045	20 888 855	(9 344 019)	Grant unspent as at 16/17	Yes	
		-	-	-	-	-	-	-	(349 157)	Grant unspent as at 16/17	Yes	
		-	-	175 000	2 888 434	2 160 353	552 722	1 644 398	-	None	Yes	

Esikhawini Hostel Refurbishment	KZN - Dept of Housing	196 182	152 261	133 070	1 619 044	2 031 426	2 764 178	3 346 169	-	None	Yes
Housing Operational Account	KZN - Dept of Housing	-	-	800 800	2 531 355	2 583 975	2 566 427	2 438 700	-	None	Yes
Discount Benefit Scheme	KZN - Dept of Housing	5 376	5 504	5 210	-	38 000	-	59 000	-	None	Yes
Libraries - Interent Access	KZN - Dept of library services	-	-	1 432 000	239 685	250 858	346 578	255 791	-	None	Yes
Library Subsidy	KZN - Dept of library services	-	-	7 506 000	4 565 378	4 526 148	4 533 553	6 388 733	-	None	Yes
Beach Protection	King Cetshwayo D	-	-	-	-	160 628	-	-	-	None	Yes
Asset	King Cetshwayo D	-	-	-	-	-	-	5 624 601	-	None	Yes
Donated Refuse Grant	King Cetshwayo D	-	-	-	-	-	-	318 040	-	None	Yes
Richards Bay Airport	KZN - Economic Development & Tourism	-	-	1 000 000	-	-	-	-	-		
Service delivery on Electrical Services	KZN - COGTA	-	-	-	-	-	7 103	-	-		
Land use Management	KZN - COGTA	-	-	-	-	5 422	1 552	1 236	-		
Tourism Development	KZN - COGTA	-	-	-	238 670	-	300 829	590 801	-		
		170 030 722	130 426 765	123 416 080	34 244 043	33 180 067	51 783 649	95 996 823	(10 748 164)		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.